

NEAL R. GROSS & CO., INC.

RPTS MORRISON

HIF249030

POWERING AMERICA: REEVALUATING PURPA'S

OBJECTIVES AND ITS EFFECTS ON TODAY'S

CONSUMERS

WEDNESDAY, SEPTEMBER 6, 2017

House of Representatives

Subcommittee on Energy

Committee on Energy and Commerce

Washington, D.C.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2123 Rayburn House Office Building, Hon. Fred Upton [chairman of the subcommittee] presiding.

Members present: Representatives Upton, Barton, Shimkus, Latta, Harper, McKinley, Kinzinger, Griffith, Johnson, Long, Bucshon, Flores, Mullin, Hudson, Walberg, Walden (ex officio), Rush, McNerney, Peters, Green, Castor, Sarbanes, Tonko, Loeb sack, Schrader, Kennedy, and Pallone (ex officio).

Staff present: Ray Baum, Staff Director; Elena Brennan,

1 Legislative Clerk, Energy/Environment; Jerry Couri, Chief  
2 Environmental Advisor; Zachary Dareshori, Staff Assistant; Wyatt  
3 Ellertson, Research Associate, Energy/Environment; Adam Fromm,  
4 Director of Outreach and Coalitions; Tom Hassenboehler, Chief  
5 Counsel, Energy/Environment; Jordan Haverly, Policy Coordinator,  
6 Environment; A.T. Johnston, Senior Policy Advisor, Energy; Ben  
7 Lieberman, Senior Counsel, Energy; Mary Martin, Deputy Chief  
8 Counsel, Energy & Environment; Alex Miller, Video Production Aide  
9 and Press Assistant; Brandon Mooney, Deputy Chief Energy Advisor;  
10 Mark Ratner, Policy Coordinator; Annelise Rickert, Counsel,  
11 Energy; Dan Schneider, Press Secretary; Madeline Vey, Policy  
12 Coordinator, Digital Commerce & Consumer Protection; Jeff  
13 Carroll, Minority Staff Director; Jean Fruci, Minority Energy and  
14 Environment Policy Advisor; Rick Kessler, Minority Senior Advisor  
15 and Staff Director, Energy and Environment; Alexander Ratner,  
16 Minority Policy Analyst; Andrew Souvall, Minority Director of  
17 Communications, Outreach and Member Services; Tuley Wright,  
18 Minority Energy and Environment Policy Advisor; and C.J. Young,  
19 Minority Press Secretary.

1           Mr. Upton. Good morning, everyone.

2           Today, we are going to continue our Powering America series  
3 by examining the statute that has played an important role in  
4 supporting certain electric generating resources over the past  
5 40 years.

6           Under the law, PURPA provides preferential rate and  
7 regulatory treatment to resources known as qualifying facilities,  
8 or better known as QFs.

9           These resources include co-generation facilities such as  
10 industrial plants and certain small power producers that use  
11 renewable resources such as wind and solar.

12           And today's panel witnesses include folks representing  
13 various types of QFs including solar developers, an industrial  
14 paper manufacturer, and a municipal waste facility in Grand  
15 Rapids, Michigan, that can generate 18 megawatts of electricity  
16 by burning solid waste.

17           Under PURPA, the FERC is tasked with implementing the law  
18 in coordination with state regulatory authorities. This  
19 framework of cooperative federalism allows for each state to enact  
20 and administer its own program within limits established by the  
21 federal standards.

22           And, not surprisingly, since each state has different energy  
23 needs, resources, and policy objectives, the terms and conditions  
24 of each state's QF policies, indeed, vary.

25           On that point, I would like to welcome the commissioner from

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 Idaho for appearing here today to share her thoughts and  
2 perspectives as a state regulator.

3 Energy Policy Act of '05 did make some modest revisions to  
4 PURPA. However, the law has largely remained unchanged since  
5 1978.

6 During the intervening decades, tremendous changes have  
7 occurred in the electricity industry, a point that is underscored  
8 by the DOE staff report that was released last week.

9 The evolution of the industry has occurred in many ways  
10 including the development of the electricity markets in the RTO  
11 and bilateral regions, the advent of open access transmission  
12 policies, and the influence of new lower cost technologies. All  
13 of these factors have changed how electricity is generated,  
14 transmitted, and used by consumers.

15 Additionally, it is important to note that renewable sources  
16 of energy, particularly wind and solar, have experienced  
17 exponential growth in recent years.

18 Last year alone, capacity additions from utility scale  
19 renewable resources surpassed the net additions of all other fuel  
20 sources combined.

21 There is no question that renewable resources now play a  
22 significant role in the nation's fuel mix and are a major  
23 contributor in decreasing U.S. greenhouse gas emissions.

24 Considering these changed circumstances, this subcommittee  
25 must review whether revisions to PURPA are necessary or

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 appropriate. This examination will continue the arguments both  
2 in support and opposition to making reforms to PURPA.

3 Among them, certain utilities contend that the PURPA  
4 provision requiring utilities to purchase QF energy is outdated  
5 and should be modified or repealed.

6 Conversely, QFs argue that PURPA's mandatory purchase  
7 obligation remains a necessary backstop to support renewable  
8 energy in parts of the country that are not receptive to such  
9 development.

10 This oversight hearing will be the first step in reevaluating  
11 whether the intent and purpose of PURPA is still being met or if  
12 it has already been fulfilled.

13 Additionally, today we are going to be looking at what effect  
14 the law is having on consumers and repairs in 2017 and beyond.

15 With that, I want to thank the panel for being here and I  
16 will yield to the ranking member of the full committee, Mr.  
17 Pallone, for an opening statement.

18 Mr. Pallone. What happened to the green? They got rid of  
19 it.

20 [Laughter.]

21 I am sorry.

22 Mr. Upton. Maize and blue.

23 Mr. Pallone. Oh, okay.

24 Mr. Upton. The block M will be over that.

25 Mr. Pallone. All right.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1           Mr. Chairman, a lot has changed in the electricity sector  
2 since Congress passed Section 210 of the Public Utilities  
3 Regulatory Policies Act in 1978 and more changes are still to come.

4           However, a number of the goals of PURPA are still valid today,  
5 in particular, the goals of increasing competition, encouraging  
6 development and deployment of more clean and efficient  
7 electricity generation, and ensuring equitable affordable rates  
8 for consumers are still important.

9           PURPA has been successful in encouraging competition,  
10 fostering electricity market development, and in bringing new  
11 generation and efficiency technologies onto the grid, and as a  
12 result, we now have a more competitive and diversified electricity  
13 sector.

14           Of course, PURPA alone is not the only driver of change in  
15 the electricity sector. State policies on renewable energy and  
16 energy efficiency expanded wholesale markets, connected  
17 technological change, growth of natural gas supplies, and changes  
18 in consumer expectations and demand are all reshaping this sector.

19           And I expect we will hear a variety of opinions today about  
20 the need for further PURPA reform and the direction that any  
21 administrative or legislative reform should take.

22           The Federal Energy Regulatory Commission recently examined  
23 these issues at a technical conference and I believe a number of  
24 our witnesses participated and even a few members weighed in on  
25 that conference, included myself and Ranking Member Rush.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1           And I realize that some of our members believe that the  
2 statute needs to be revised, particularly on issues like  
3 estimation of avoided costs, the mandatory purchase requirement,  
4 and FERC's definition of a qualifying facility as it relates to  
5 the distance between facilities.

6           However, the Energy Policy Act of 2005 as passed by this  
7 committee under Chairman Barton and signed into law by President  
8 Bush provided significant changes to Section 210.           Those  
9 changes allow utilities in competitive areas to avoid the  
10 mandatory purchase obligations. The law also provided greater  
11 discretion for state utility commissions to establish methods for  
12 determining avoided costs and the duration of power purchase  
13 agreements.

14           This change allowed states even greater flexibility to  
15 address their individual situations. For example, the state of  
16 Idaho, which we will hear from today, made radical changes to its  
17 standard contract and avoided cost calculation.

18           These are changes that I do not support but they reinforce  
19 the fact that many different outcomes are possible under the  
20 current PURPA structure.

21           We will likely hear about the fact that some markets today  
22 are saturated with electricity generation. This is due  
23 principally or primarily to reduce costs of new generation  
24 technologies and the fact that electricity demand is flat in many  
25 markets.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1           There is also a real issue in some regions today where  
2 competition now exists among different generation assets that are  
3 all trying to earn sufficient revenue within markets where rates  
4 are stable or falling due to flat demand.

5           In some areas I suspect there is a reluctance to add new,  
6 more efficient cleaner energy resources into areas where existing  
7 fossil and nuclear generation assets are struggling financially.

8           But when Congress made the decision to encourage more  
9 competition in the development of wholesale markets, there was  
10 bound to be winners and losers in those markets to the larger  
11 benefit of the consumer.

12           Consumer preferences, state policies, technological change,  
13 and economic trends are favoring renewable resources over  
14 traditional fossil and nuclear generation, and this transition  
15 is bringing us a clean and more efficient grid and these are  
16 positive developments and I would not want to see this committee  
17 reversing course on competitive market development without a much  
18 more serious and longer consideration of the impacts of such a  
19 move away from competition.

20           FERC has authority to make some changes in the implementation  
21 of PURPA. The recent technical conference provided the  
22 commission with information to evaluate the effectiveness of its  
23 implementation and enforcement of PURPA.

24           So we have an excellent panel of witnesses here this morning.  
25 I look forward to hearing their testimony. Thank you again, Mr.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)



1 Chairman, for holding this important hearing and for working with  
2 us on this series of bipartisan hearings on the current status  
3 of the electricity sector.

4 And I do -- I did like the green better. Sorry. Well,  
5 actually, you liked the green better.

6 Mr. Upton. So Oregon green is gone.

7 [Laughter.]

8 The chair would recognize the --

9 Mr. Pallone. Just trying to go blue here.

10 Mr. Upton. The chairman -- it was a nice win over Florida.  
11 Sorry they are not here today. The chair would recognize the  
12 chair of the full committee, gentleman from Oregon, Mr. Walden.

13 The Chairman. I thank the gentleman.

14 Nearly 40 years ago, as we have all heard, Congress passed  
15 the Public Utility Regulatory -- Public Utilities Regulatory  
16 Policies Act, commonly known as PURPA.

17 As many of you are aware, this law was passed during the time  
18 when the country was overly dependent on foreign supplies of  
19 energy, resulting in national energy shortages and economic  
20 instability.

21 And in response to these challenging circumstances, Congress  
22 passed PURPA with the goal of promoting energy conservation,  
23 increasing domestic energy supplies.

24 Now that PURPA has been in place for multiple decades, we  
25 can see how it has helped transform the U.S. energy sector,

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 bolstered renewable energy, and reduced greenhouse gas emissions.

2       Gone are the days of Americans relying heavily on overseas  
3 sources of energy and unstable global markets to meet energy  
4 needs. Instead, the country now has access to many forms of  
5 abundant domestic energy which has been spurred by innovative  
6 technologies and competitive energy markets.

7       Now, in passing PURPA, Congress took the first steps toward  
8 competition within the electricity markets by allowing  
9 electricity generation to be independent of regulated monopolies  
10 for the first time.

11       Since then, Congress and FERC have continued to take actions  
12 to increase competition, resulting in tremendous benefits for  
13 consumers across the country.

14       We on the committee want to continue down the same path of  
15 increased competition and innovation. Our aim is to strengthen  
16 energy markets and encourage innovation throughout the  
17 electricity sector, giving consumers more choice and greater  
18 control over their energy decisions while also benefitting the  
19 environment.

20       Today's hearing gives us the opportunity to look at PURPA  
21 with fresh eyes and evaluate what effect it is having on evolving  
22 electricity markets and the modern-day consumer.

23       Given the fact that PURPA was written nearly 40 years ago  
24 and the U.S. electricity system is undergoing significant  
25 transformation, now is the time for the committee to review PURPA

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 and its associated impacts.

2 This review includes discussing the original intent of  
3 specific PURPA provisions and determining if these provisions are  
4 still working successfully today.

5 For example, in today's hearing we will review the  
6 requirements connected to the mandatory purchase obligation, the  
7 effectiveness of the one-mile rule when designating qualifying  
8 facilities and the various methods states are using to calculate  
9 avoided costs.

10 The committee understands that many stakeholders in the  
11 electricity sector are closely following potential PURPA reforms.

12 In fact, I know this is true for my constituents in eastern  
13 Oregon where we have more than 100 qualifying facilities operating  
14 as a direct result of PURPA.

15 So in addressing this topic, we want to make sure that all  
16 stakeholders, all of them, have an opportunity to be heard, which  
17 is why we are holding the hearing today and why we will continue  
18 to engage proactively with all stakeholders, moving forward.

19 In all that we do on the Energy and Commerce Committee, we  
20 strive to focus on the needs and interests of American consumers.  
21 When we are successful in this pursuit, I am confident that  
22 everything else will find its proper place.

23 With that, I look forward to the remainder of the hearing  
24 and better understanding how PURPA is affecting consumers across  
25 the country.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1           And with apologies, I know we had a couple of hearings going  
2 on so I've got to go to another one and be back and forth. But  
3 thank you for your testimony. It is most enlightening and helpful  
4 in our work, and I yield back.

5           Mr. Upton. And we have a bill on the floor.

6           The Chairman. And we have a bill on the floor and a Korean  
7 briefing and oh, it is -- lots going on.

8           Mr. Upton. Gentleman's time is expired. I know Mr. Rush  
9 is running a little bit -- any on the minority side wishing at  
10 this time? Seeing none, we will go right then to the testimony  
11 by our witnesses.

12           We are joined first by Mr. Frank Prager, vice president of  
13 Policy and Federal Affairs for Xcel Energy. Welcome. Your  
14 testimony is -- all of your testimonies are made part of the record  
15 and if you would take no more than five minutes to give a summary  
16 of that, that would be great and start with you.

17           Thank you. Welcome.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 STATEMENTS OF FRANK PRAGER, VICE PRESIDENT, POLICY AND FEDERAL  
2 AFFAIRS, XCEL ENERGY; TODD GLASS, COUNSEL, SOLAR ENERGY  
3 INDUSTRIES ASSOCIATION; KRISTINE RAPER, COMMISSIONER, IDAHO  
4 PUBLIC UTILITIES COMMISSION; STEPHEN THOMAS, SENIOR MANAGER,  
5 ENERGY CONTRACTS, DOMTAR PAPER COMPANY; TERRY KOUBA, VICE  
6 PRESIDENT, IOWA OPERATIONS, ALLIANT ENERGY; DARWIN BAAS,  
7 DEPARTMENT OF PUBLIC WORKS FOR KENT COUNTY, MICHIGAN

8  
9 STATEMENT OF MR. PRAGER

10 Mr. Prager. Thank you very much, Mr. Chairman.

11 Members of the committee, my name is Frank Prager. I am vice  
12 president of policy and federal affairs at Xcel Energy. I am  
13 pleased to be here today to talk to you about PURPA and PURPA  
14 reform.

15 Xcel Energy is a public utility holding company  
16 headquartered in Minneapolis, Minnesota. We serve parts of eight  
17 Western and Midwestern states including Denver, where I am from.

18 We are the nation's number-one utility provider of wind  
19 energy. We have been that -- held that distinction for a dozen  
20 years. Xcel Energy currently has over 6,700 megawatts of wind  
21 on its system and is currently in the process of adding an  
22 additional 3,400 megawatts of wind.

23 Renewable energy is a big part of our energy portfolio. We  
24 are also in the process of decarbonizing our electric grid. Xcel  
25 Energy has already reduced its CO2 emissions by 30 percent from

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 2005 levels and are on a path, if we continue to see technological  
2 advancement in the renewable energy area, to achieve a 60 percent  
3 reduction by 2030.

4 Our customers like renewable energy. They like the fact  
5 that we are decarbonizing our electric grid. But they love the  
6 fact that we are able to do it at a low price.

7 We actually are now in the process of implementing a strategy  
8 we call steel for fuel under which we are actually reducing our  
9 carbon dioxide emissions while at the same time reducing our  
10 customers' energy rates. And as I say, our customers are very  
11 fond of that strategy.

12 As strong proponents of cost-effective renewable energy,  
13 Xcel Energy believes it is time for Congress to reform the outdated  
14 PURPA statute. As described in my written testimony, the energy  
15 market fundamentals that led to the adoption of PURPA no longer  
16 exist.

17 Today, we live in an era of relative energy abundance rather  
18 than the energy crisis that existed at the time PURPA was first  
19 adopted. Customer energy use is flat.

20 Renewable energy is no longer a niche technology but a  
21 growing part of our energy portfolio. Robust wholesale energy  
22 markets and least-cost resource planning have facilitated  
23 market-based acquisition of energy.

24 PURPA was designed to address energy challenges of the 1970s  
25 that no longer exist and are inconsistent with the modern energy

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 marketplace.

2 Under PURPA's must take provisions, QFs can displace energy  
3 from existing more efficient power plants, thereby raising costs  
4 for our customers.

5 QFs can force utilities to take power outside of the state  
6 utility planning processes. Those are the processes that states  
7 use to assure a reliable and cost-effective energy system.

8 For example, in Colorado, a QF developer informed Xcel Energy  
9 that it had been -- it had intended to develop 19 separate QF  
10 facilities, each of 80 megawatts.

11 Although Colorado PUC regulations are clear that those QFs  
12 must participate in the resource planning process, this QF  
13 developer declined to do so.

14 It demanded that we enter into a long-term contract for its  
15 contemplated 1,520 megawatts of QF energy. Litigation with that  
16 developer is ongoing.

17 However, its claims demonstrate one of the key problems  
18 associated with PURPA. QFs can operate outside state resource  
19 planning and thus force electricity consumers to pay for energy  
20 they do not need.

21 PURPA can also interfere with transmission planning. That  
22 same QF developer has proposed to put 480 megawatts, almost a half  
23 a gigawatt, of its power in a remote location far from our load  
24 centers in an area where we do not have adequate transmission  
25 capacity and an area where the existing transmission capacity is

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 subscribed by existing solar facilities that are under contract  
2 to Xcel Energy.

3 If this QF is successful in putting its power to Xcel Energy,  
4 we will be required to spend millions of dollars in transmission  
5 of grades and will have to work in order to make sure that our  
6 existing solar facilities have access to the electricity  
7 marketplace.

8 The other problem with PURPA, which is one the chairman  
9 identified, is the ability of some QFs to game the PURPA  
10 regulations in particular with regard to the one-mile rule.

11 Under its terms, the QFs are limited to 80 megawatts and PURPA  
12 -- and FERC has implemented that 80 megawatt limit through the  
13 one-mile which requires the two QFs be separated by at least a  
14 mile.

15 Some -- unfortunately, FERC has allowed some developers to  
16 circumvent this rule. In our Texas service territory, FERC found  
17 two separate segments of a larger wind project -- a larger wind  
18 project with a single owner and a single interconnection --  
19 literally, one project to be -- considered to be two separate QF  
20 projects because the developer had made certain that no two wind  
21 turbines from that project were located within a mile of one  
22 another.

23 Thus, a project that greatly exceeded PURPA's 80 megawatt  
24 limit was able to force Xcel Energy to buy power from it at the  
25 avoided cost rate.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com



1           We encourage Congress to consider legislation that would  
2 help address these and other problems with PURPA. Even without  
3 PURPA, the renewable energy market has never been stronger and  
4 QFs would have the opportunity to compete for a growing piece of  
5 the renewable energy pie.

6           Thank you again. I would be happy to answer any questions  
7 that you have.

8           [The prepared statement of Mr. Prager follows:]

9  
10 \*\*\*\*\*INSERT 1\*\*\*\*\*

1           Mr. Upton. Thank you.

2           We are joined next by Todd Glass, counsel to the Solar Energy

3 Industries Association. Welcome.

1 STATEMENT OF MR. GLASS

2  
3 Mr. Glass. Thank you.

4 Mr. Chairman, distinguished members of the subcommittee,  
5 good morning. My name is Todd Glass. I am an energy lawyer who  
6 represents developers and financiers of independent solar project  
7 -- solar-powered projects and the solar industry in energy  
8 regulatory matters.

9 I am delighted to appear on behalf of the Solar Energy  
10 Industries Association with regard to PURPA, its original  
11 objectives and its relevance to customers today.

12 SEIA is the national trade organization for the solar  
13 industry in the United States, representing more than a thousand  
14 organizations that promote manufacture, install, and support the  
15 development of solar energy around the United States.

16 SEIA seeks to expand markets, remove market barriers,  
17 strengthen the industry and educate the public on the benefits  
18 of solar energy.

19 PURPA's original objectives were to do two primary things  
20 -- to increase the diversity of supply by type fuel source, size,  
21 and ownership, to strengthen national energy security in the  
22 nation's electric supply.

23 Fuel diversity remains essential to our national energy  
24 security and PURPA continues to provide the means to ensure the  
25 increased diversity of supply, particularly with regard to

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 fuel-less generation resources.

2 PURPA's second major contribution was to create competition  
3 by -- that forces prices down, that benefits consumers by  
4 eliminating utilities' anti-competitive actions against  
5 competitive generation.

6 Independent generation puts downward competitive pressure  
7 on prices and benefits consumers by reducing the cost of  
8 electricity. As new technology such as solar are deployed, the  
9 price of delivering power to consumers will continue to decrease.

10 Those two objectives have yet to be fully achieved. PURPA  
11 remains an essential federal legislation underpinning both  
12 diversity as well as competition in the electric power industry.

13 The U.S. solar industry can compete. As outlined in my  
14 testimony, solar energy has experienced a rapid decline in cost  
15 over the past decade to become a true economic alternative and  
16 competitor to traditionally-owned utility generation.

17 Solar prices have become competitive with wind and natural  
18 gas fuel generation. Solar installations, however, are  
19 principally owned by independent power producers who, through  
20 innovation and persistence, have been able to withstand the  
21 competitive pressures today to build and finance their project.

22 With only a fraction of those installations actually  
23 contracted for under PURPA's must purchase obligation, PURPA as  
24 a whole remains an essential back shield -- a backstop against  
25 anti-competitive conduct for all independent power and a backstop

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 for financing these independent power projects.

2 Electric utilities in the United States are among the most  
3 enduring long-lived monopolies in the United States. As Congress  
4 recognized in 1935, electric utilities must be regulated in order  
5 to protect the public interest.

6 In 1978, Congress created PURPA. PURPA is not an  
7 environmental law. Rather, its provisions provide for energy  
8 conservation in a unique federalism system that eliminates  
9 discrimination against co-generators and small power producers,  
10 which you correctly called QFs, by requiring interconnection,  
11 wielding of their power, and purchasing their power at a price  
12 no greater than the incremental cost of buying that electric power  
13 from alternative sources.

14 With its passage, PURPA became the bedrock federal law  
15 ensuring competition in wholesale power markets. Soon after FERC  
16 promulgated the regulations, utilities started fighting PURPA and  
17 its mandates.

18 Indeed, 40 years later, they are still fighting its mandates.  
19 Why? Utilities would simply prefer to buy generation -- they  
20 prefer not to have to buy generation from small diverse UFs that  
21 don't fit within -- neatly within their plans.

22 They would rather build and rate base larger generation  
23 facilities and maintain a controlled vertically-integrated  
24 monopoly or buy through power purchase agreements through our  
25 RFPs.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1           They have never liked PURPA and they still don't like PURPA  
2 today. Solar power PURPA projects are not a real problem.

3           As shown in my testimony, in 44 states solar energy in the  
4 last year totaled less than 5 percent of the total energy used  
5 and in a vast majority of states it is less than 1 percent.

6           Of that amount of total installed solar capacity, only 20  
7 percent is actually based upon a PURPA must-purchase obligation.

8           Due to land usage and power density, solar power is not an  
9 industry that is abusing FERC's one-mile rule. Notwithstanding  
10 the penetration, our industry is putting competitive pressures  
11 on energy prices and benefitting those consumers by forcing the  
12 utilities to look at lower cost power.

13           So PURPA is about diversity -- fuel size, type, and ownership  
14 and competition. U.S. solar industry is here to compete, to  
15 create jobs, and investment and create tax base in both urban and  
16 rural America to make the -- and to make the electric grid more  
17 diverse and secure.

18           SEIA strongly encourages Congress to continue supporting  
19 competition by ensuring independent generators like solar can  
20 compete.

21           Thank you, and I look forward to your questions.

22           [The prepared statement of Mr. Glass follows:]

23  
24 \*\*\*\*\*INSERT 2\*\*\*\*\*

1           Mr. Upton. We will next hear from Kristine Raper,  
2 commissioner for the Idaho Public Utilities Commission.

1 STATEMENT OF MS. RAPER

2  
3 Ms. Raper. Thank you, Chairman Upton.

4 Distinguished representatives, my name is Kristine Raper.  
5 I am a commissioner with the Idaho Public Utilities Commission  
6 and I want to thank you for the opportunity to come and participate  
7 in this panel today and I look forward to any questions that will  
8 be asked after the presentations.

9 A couple of initial matters that I feel like I need to  
10 address, issues that often get conflated within this PURPA  
11 discussion but are truly separate and distinct.

12 One is promoting renewable generation and maintaining PURPA  
13 are not interchangeable concepts. They are not the same thing.

14 One can exist without the other. And number two, there is  
15 a misconception that anyone who seeks changes to PURPA is somehow  
16 anti-renewable or opposes a diverse resource portfolio, which is  
17 not true.

18 Arguing that renewables are beneficial alternatives to  
19 fossil fuels and touting the value of a diverse resource portfolio  
20 misses the point.

21 This is about a law which is being manipulated to the  
22 detriment of ratepayers and state commissions are struggling to  
23 balance the requirements of the act with reliability of the grid  
24 and ratepayer indifference, all of which the act requires.

25 PURPA is not the only way to develop renewables but too much

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com



1 PURPA on the grid does stifle the development of non-PURPA  
2 renewables.

3 PURPA developers want to make it look like this is an attack  
4 on renewables as a whole. It is not. This is not an apples to  
5 apples comparison.

6 The must-purchase obligation makes a QF project very  
7 different from other renewable projects. Utilities must absorb  
8 energy whether it needs the energy or not.

9 It is not dispatchable energy that the utility can pull onto  
10 the grid when it needs it. QF projects are gaming the parameters  
11 of PURPA to maximize profit without any regard to the effect on  
12 ratepayers and there are no realistic curtailment allowances that  
13 the states or utilities have been able to utilize. These things  
14 do not apply to non-PURPA non-QF renewable resources.

15 Mr. Glass' reference to falling costs actually proves my  
16 point. If the price of solar has dropped dramatically from 2009  
17 until now, well, we have contracts -- multiple dozens of contracts  
18 where in 2009 they signed onto a 20-year agreement at the prices  
19 in 2009.

20 If prices have dramatically reduced since 2009 and we are  
21 only eight years out, imagine over the 20-year life of that  
22 contract how much those prices inflate each year with the  
23 reduction of costs -- true costs of solar, and the longer the  
24 contract the greater the discrepancy.

25 If PURPA is to remain, then there need to be some changes.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 I urge you to consider some of the following solutions.

2 Lowering the 80 megawatt qualifying threshold for small  
3 renewable projects -- Congress' Energy Policy Act of 2005 changed  
4 a threshold for QFs within organized markets to a 20 megawatt  
5 threshold for a presumption that they could be competitive within  
6 the market.

7 Well, that is a huge difference. Is 80 megawatts small or  
8 is 20 megawatt competitive? So I would urge you to look at that  
9 80 megawatt threshold that exists.

10 If a QF is within a balancing authority of an energy imbalance  
11 market like we have in the West, I also urge you to consider  
12 applying that threshold under the Energy Policy Act to QFs within  
13 an energy imbalance market.

14 I recognize that there are none in it now and that perhaps  
15 is because they wouldn't get the prices that they can otherwise  
16 get under QF contracts within the states.

17 But that doesn't mean that they are not meeting the  
18 requirements of the Public Utility Regulatory Policies Act. It  
19 means that the QF isn't making as much money.

20 But it doesn't mean that QFs aren't competitive within that  
21 environment.

22 Please allow states the discretion to address gaming. It  
23 violates the intent of the act and it is harmful to ratepayers.

24 I ask that you modify the must-purchase to consider need and  
25 allow for reasonable curtailment. Consider what battery storage

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 is and whether it meets the parameters of the act. And finally,  
2 implement a statute of limitations on how long a QF can file a  
3 complaint with FERC.

4 I have 13 seconds and I know this wasn't in my written  
5 testimony but there is currently no existing statute of  
6 limitations for when a QF can take a state decision and file with  
7 FERC for alternative treatment.

8 I look forward to answering any questions that you have.

9 [The prepared statement of Ms. Raper follows:]

10  
11 \*\*\*\*\*INSERT 3\*\*\*\*\*

1 Mr. Upton. Thank you.

2 Stephen Thomas, senior manager energy contracts, Domtar

3 Corporation. Welcome. Mic -- turn the mic on.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 STATEMENT OF MR. THOMAS

2  
3 Mr. Thomas. Thank you, Chairman Upton, members of the  
4 committee.

5 My name is Steve Thomas. I work for Domtar --

6 Mr. Upton. Just pull it just a little closer to -- thank  
7 you.

8 Mr. Thomas. I have worked for Domtar and I am here  
9 representing IECA, or I-E-C-A, which is the Industrial Energy  
10 Consumers of America.

11 They are a member-led nonpartisan organization that is made  
12 up of leading manufacturers. Domtar itself has 23 manufacturing  
13 facilities across the U.S. The largest eight or nine of these  
14 are PURPA QF facilities.

15 So the largest eight or nine of these are our  
16 PURPA-qualifying facilities. As such, we believe that PURPA has  
17 done its job and in its current form is doing what it is supposed  
18 to.

19 If there is issues that need to be addressed, we filed, I  
20 think, 12 recommendations either, you know, through new  
21 legislation or through guidance from the FERC to state commissions  
22 that we think work for us.

23 But one thing that is important is I want to really make a  
24 distinction between QFs that are co-generators, like ourselves,  
25 and QFs that are small power generators. And co-generators, what

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 we do is we take either heat before it is used in a process or  
2 heat that is a by-product of a process and create electricity,  
3 and PURPA allows us to do that.

4 And that is really important as manufacturers because it  
5 helps reduce our costs, makes us more competitive in global  
6 markets.

7 With -- by doing this, there's something else that happens.  
8 We are more efficient than generation from a utility because we  
9 not only use that heat to create electricity, we use that heat  
10 to create products.

11 And another important distinction, from co-generating  
12 manufacturing facilities is we have a very large permanent job  
13 base.

14 So from an economic development standpoint, once the  
15 facility is built, we support a huge number of jobs -- you know,  
16 sustainable jobs going forward. We are not against renewables.

17 We use renewable energy in our own generation. Domtar  
18 itself is -- more than 70 percent of the energy we create at our  
19 mills is from renewable sources.

20 So the important thing is, again, that distinction between  
21 the co-generators and small QFs. So all of our recommendations  
22 that we have offered are based on that clear distinction, a lot  
23 of which we have already talked about.

24 So what are some of those avoided costs is a major issue for  
25 us because as co-generators there's something that doesn't get

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 realized. As an industry, we still buy 85 percent of our power  
2 so we are net consumers, and things that affect the price of  
3 electricity, the reliable -- the reliability of electricity hurt  
4 us.

5 So we are squarely -- our interests align with consumers.  
6 We want affordable power that is reliable.

7 So the avoided cost issue is a really big deal. I think four  
8 or five of our points are around avoided costs. We don't think  
9 utilities should be forced to buy capacity when they are flush  
10 with capacity and have adequate reserve margins because that hurts  
11 us as consumers, you know, whether we are consuming at home or  
12 at our place of business.

13 The one-mile rule -- our footprints are large. You know,  
14 industries like ourselves have a very large footprint a lot of  
15 times in rural areas of the country, and that large footprint --  
16 the one-mile rule is small.

17 We think that should be larger. Again, so we are not forced  
18 to pay for capacity that is not needed on the system and the --  
19 another one that is critical to us is curtailment.

20 You know, when the grid is surplus generation, you know, we  
21 want to be lower in the stacking order than renewables because  
22 we are supporting jobs, because we are creating products that are  
23 important to the communities that we serve.

24 So with that, I will look forward to taking any questions  
25 you have.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 [The prepared statement of Mr. Thomas follows:]

2

3 \*\*\*\*\*INSERT 4\*\*\*\*\*



1           Mr. Upton. Thank you.

2           Next, Terry Kouba, vice president of Iowa Operations of

3 Alliant Energy. Welcome.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 STATEMENT OF MR. KOUBA

2  
3 Mr. Kouba. Good morning, Chairman Upton, and members of the  
4 subcommittee.

5 My name is Terry Kouba and I am the vice president of Iowa  
6 Operations for Alliant Energy, which is a Midwest utility serving  
7 1.4 million electric and gas customers throughout 1,300  
8 communities in Iowa and Wisconsin.

9 First, let me thank the subcommittee for holding this timely  
10 oversight hearing. The main focus of my testimony today is to  
11 re-evaluate PURPA in light of the law's negative effect on  
12 increasing wind energy costs for our customers in Iowa.

13 I was a national leader in wind energy deployment, deriving  
14 36 percent of the state's electricity from wind, a statistic to  
15 which Alliant Energy is a very proud contributor.

16 Currently, we have more than a thousand megawatts of owned  
17 and operated wind plus purchase power agreements from independent  
18 power producers and we are in the cusp of executing a plan to add  
19 an additional gigawatt of wind energy, a \$1.8 billion investment  
20 in Iowa to help serve our customers.

21 We are a long way from 1978 when PURPA was enacted and I was  
22 a sophomore in college. Forty years ago, the country endured an  
23 energy crisis while renewable energy was in its infancy as a  
24 cost-effective generation resource.

25 Now, two-thirds of the U.S. is served by wholesale region

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 electricity markets like the Midcontinent Independent System  
2 Operator, or MISO, in Iowa.

3 States across the country in organized and unorganized  
4 markets are able to competitively solicit renewable energy.  
5 Despite the market-driven deployment of renewable energy in Iowa  
6 and across the nation, we are still subject to PURPA's outdated  
7 mandatory purchase obligation which has increased electricity  
8 cost for our Iowa customers.

9 Let me explain. Under the law, we are required to purchase  
10 power from PURPA-designed qualified facilities. These QF  
11 resources are not procured through a competitive bid process  
12 despite having access to the MISO market.

13 We cannot negotiate on the price paid for this energy and  
14 project locations are chosen for the benefit of the QF investor,  
15 not for the benefit of our customers.

16 These QFs that violate the intent of PURPA by structuring  
17 their projects into separate LLCs to get around FERC's 20 megawatt  
18 cap -- size cap in organized markets.

19 If my company went to the Iowa Utility Board to obtain  
20 regulatory approval for one of those projects under a purchase  
21 power agreement with an independent power producer like that, I  
22 am confident we would be rejected because the cost premiums  
23 associated with that power would be too high.

24 The IUB would likely question the need for this expensive  
25 renewable power when it is possible to obtain cheaper renewable

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 electricity, especially in Iowa through other means, and the IUB  
2 would have an excellent point.

3 The real losers in this situation are not utilities, rather,  
4 customers who are forced to pay higher costs for renewable  
5 generation that can otherwise be procured at competitive prices.

6 And when a quarter of our customers' income is under \$25,000  
7 per year, that is a real concern for our company and our customers.

8 We believe that these larger QFs should be treated like any  
9 other independent power producer and be required to sell energy  
10 directly into the organized markets like MISO or negotiate for  
11 PPA contracts with a utility like any other independent power  
12 producer.

13 Doing so would reduce cost to customers and minimize system  
14 impacts that might impair reliability. Congress can take steps  
15 to improve implementation, mitigate negative impacts on customers  
16 in the grid, and better reflect current market conditions by  
17 modernizing this law.

18 We are encouraged by legislative interest to reform the law  
19 in several key areas and we encourage FERC to implement several  
20 recommendations found in my written testimony on an  
21 administrative basis.

22 Thank you for the opportunity to appear before the  
23 subcommittee today and I look forward to the discussion and any  
24 questions you may have.

25 [The prepared statement of Mr. Kouba follows:]

1

2

\*\*\*\*\*INSERT 5\*\*\*\*\*

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1           Mr. Upton. Thank you.

2           Mr. Baas, good to see you. Director of the Public Works for

3 Kent County, Michigan.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 STATEMENT OF MR. BAAS

2  
3 Mr. Baas. Good morning.

4 Mr. Upton. Sorry about the color change, but welcome.

5 Mr. Baas. Go blue.

6 Mr. Upton. Go blue is right.

7 Mr. Baas. Thank you, Chairman Upton, for providing an  
8 opportunity for me to testify this morning. I am the director  
9 of Kent County --

10 Mr. Upton. You might just pull that mic to you a little  
11 closer.

12 Mr. Baas. I am the director of the Kent County Department  
13 of Public Works in Michigan. I want to discuss this morning how  
14 PURPA relates to our waste energy facility.

15 I would also like to express support for the mandatory  
16 purchase obligation under PURPA and encourage Congress to  
17 consider modifications that could enhance PURPA in its  
18 application and effectiveness for waste energy qualified  
19 facilities.

20 PURPA has been a critical part of Kent County's waste energy  
21 facility for the last 27 years. Kent County DPW allocates funds  
22 for municipal infrastructure for five public services.

23 The waste energy facility is critical in that mission. We  
24 provide a sustainable and integrated solid waste management  
25 system. We provide base load renewable electricity. We offer

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 grid support and reduce the need for long-term or long distance  
2 transmission.

3 Energy from 76 waste energy facilities nationwide account  
4 for more than 2,500 megawatts of renewable energy, 14 billion  
5 kilowatts of electrical generation, and avoids 13 million tons  
6 of greenhouse gas generation.

7 Our facility in Kent County provides an alternative to land  
8 filling that so many local residents, businesses, and industry  
9 desire.

10 Facilities like ours are a municipal infrastructure and we  
11 must remain competitive in the energy markets. Unfortunately,  
12 many have closed and more are at risk of failure, which will strand  
13 these local government assets.

14 A significant contributing factor is the outdated and  
15 inadequate elements of PURPA policy that fails to value local  
16 government and the role that these power plants have.

17 I have submitted detailed documentation of these challenges  
18 so I will just highlight a few. Mandatory purchase contract  
19 lengths are unrealistically short and the avoided cost pricing  
20 has eroded. It is no longer reflecting the intent of PURPA and  
21 the value of our system.

22 Even the facilities between 20 and 80 megawatts are  
23 experiencing the same challenges. In Michigan, we are engaged  
24 with the Public Service Commission to fight for fair, reasonable,  
25 and stable ablated cost.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)



1           While the utility we work with has received \$759 million in  
2 rate increases since 2008 and has another \$172 million pending  
3 before the PSC, the PSC is attempting to devalue the value of our  
4 electrical generation by 24 percent.

5           By doing that, they would take us back to rates that were  
6 paid to us 20 years ago. The utility is also attempting to  
7 unilaterally cancel our contract with one year's notice, which  
8 is very difficult for us.

9           Local governments also own assets where's electricity  
10 regulations hinder using our power. For example, we have  
11 airports, wastewater treatment plants, and courthouses and many  
12 other facilities that require electricity.

13           But it is very difficult to move that electricity to those  
14 facilities. That's why it is so critical that when we receive  
15 realistic pricing that we are in such a better place.

16           Kent County uses a 10-year planning horizon for capital  
17 refurbishment as does any utility that invests in plan  
18 reliability. Should we face a situation where we would have a  
19 contract cancelled with one year's notice it could very well lead  
20 us to early closure.

21           Without certainty in energy revenue and contract length, we  
22 face a lot of uncertainty in how to make investments, how to invest  
23 in maintenance and in our operations.

24           Modifications to PURPA are necessary to ensure long-term  
25 viability of this municipal infrastructure. I would welcome

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 opportunity to work with staff on modifications to address these  
2 issues.

3 Again, thank you for the opportunity to appear before you  
4 today. I will be pleased to answer any questions you might have.

5 [The prepared statement of Mr. Baas follows:]

6

7 \*\*\*\*\*INSERT 6\*\*\*\*\*

1           Mr. Upton. Well, thank you all, and we are going to now move  
2 to questions from members here and we will limit our questions  
3 and answers to five minutes.

4           I guess the first question that I have for each of you is  
5 we, first of all, appreciate your testimony. Let us talk just  
6 a little bit about the statutory and regulatory changes to  
7 eliminate the abuse or gaming, as Ms. Raper talked about -- the  
8 one-mile rule. Would you oppose or support regulatory changes  
9 to eliminate such and how might that look like?

10           And maybe we will start -- Ms. Raper, since you raised it  
11 we'll start with you and we'll go in reverse. What should we do  
12 about the one-year rule?

13           Ms. Raper. Thank you, Chairman.

14           Mr. Upton. Or the one -- I am sorry, the one-mile rule.  
15 Sorry.

16           Ms. Raper. Sure, Representatives. I think the one-mile  
17 rule alone it is neither here nor there. I think changing the  
18 one-mile rule to a five-mile rule doesn't eliminate the problem.

19           The issues with the one-mile rule that allow things like wind  
20 and solar to overbuild, in my opinion, are that if there's only  
21 one mile between projects they have the same interconnection.

22           They are financed by the same thing. Just because they are  
23 named alpha bravo charlie delta echo doesn't make them different  
24 projects.

25           And so a one -- changing the one-mile rule only without

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 changing some of the considerations for what truly makes it a  
2 separate entity it wouldn't solve the problem.

3 There need to be other considerations taken into account in  
4 order to -- because my understanding of the one mile rule is that  
5 it was intended to make sure that they were separate entities that  
6 were doing these builds and it hasn't worked to that effect.

7 Mr. Upton. Mr. Thomas.

8 Mr. Thomas. Thank you. You know, again, as a manufacturer  
9 our footprints are so much larger than that one-mile. You know,  
10 our concern, again, goes back to reliability.

11 A lot of times the one-mile or three-mile circle -- the  
12 generation is all the same type. If it is all solar, it is all  
13 going to go down when the sun is not shining. If it is all wind,  
14 it is going to go down when the wind is not blowing. Or it is  
15 going to over produce when the wind is blowing.

16 So, you know, the generation type comes into effect there,  
17 too, and, again, a much larger footprint would not affect  
18 manufacturing.

19 Mr. Upton. Mr. Kouba.

20 Mr. Kouba. Yes. As I answer that question, let me make it  
21 clear that I am here today advocating on behalf of our customer.  
22 I, along with my company, is also an advocate for renewable energy.

23 As I said in my opening statement and my written statement,  
24 we have significant renewable energy resources, primarily wind,  
25 and we are adding a significant amount more.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1           We are also about to energize the most powerful solar  
2 facility in the state of Iowa so we are definitely advocates of  
3 renewable energy.

4           With respect to this issue, what we have is sophisticated  
5 foreign-owned companies that are planning, proposing, and  
6 investing in projects in Iowa that in total exceed the 20 megawatt  
7 PURPA cap.

8           Because they evidently do not want to compete with the  
9 generation market in Iowa and MISO, and make no mistake about it,  
10 the generation market in Iowa with all our wind is extremely  
11 competitive, they disaggregate these facilities into much smaller  
12 projects, organize under separate LLCs but ultimately through the  
13 same ownership.

14           They then take those smaller facilities that get below the  
15 20 megawatt cap. They spread them apart so they are a mile apart  
16 and then they can qualify for PURPA plus we can't challenge that.

17           So we would propose to eliminate that one-mile rule so we  
18 can challenge these projects that are, clearly, disaggregation  
19 that ultimately end up costing our company, in one case, 20 percent  
20 more than what we could get with other projects.

21           Mr. Upton. I know that I am running out of time. Mr. Baas,  
22 it doesn't really impact your folks all that much.

23           Let me go to Mr. Prager and Mr. Glass and my time will have  
24 expired.

25           Mr. Prager. Thank you, Mr. Chairman.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1           We actually have an actual experience, which I mentioned in  
2 my oral testimony, in Texas where we had someone come in and  
3 actually game the system in order to use the one-mile rule to  
4 separate a much larger wind project into two different QFs and  
5 be able to force the avoided cost pricing.

6           I think Commissioner Raper really hit it on the head. We  
7 need to have a process in place at FERC where FERC looks at the  
8 reality of what's happening.

9           It doesn't elevate the form of its one-mile over the  
10 substance of what's actually happening on the ground. If you have  
11 one project subject to common control, subject to common  
12 interconnection, treated in every respect as one project, even  
13 if particular segments of that are a mile apart, they should be  
14 treated as one project and therefore not subject to the PURPA  
15 requirements.

16           Mr. Upton. And Mr. Glass, quickly.

17           Mr. Glass. We don't think the one-mile rule is really an  
18 issue for the solar power industry. We use the land more  
19 intensively on, like, for instance, a wind farm our average  
20 project sizes are such that it just doesn't make sense.

21           We think it works and we have no problem with actually FERC  
22 taking a look at the one-mile rule. However, the one thing that  
23 should happen is that the rule needs to be clear and easily  
24 determined without an administrative review or result because  
25 there's no way to invest capital if the utility or the utility

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 commission is going to gotcha after you've tried to finance a  
2 project. It is just not going to happen.

3 Mr. Upton. Thank you.

4 Mr. McNerney.

5 Mr. Peters. Thank you, Mr. Chairman.

6 I want to say, first of all, I grew up in a Wolverine  
7 household, not a Spartan household. So I am okay with the color.

8 The -- so one of themes of this testimony has been that since  
9 1978 the renewables markets have matured in a way that what was  
10 originally conceived under PURPA is probably less important now  
11 or maybe less needed now.

12 Mr. Thomas, you raised the issue I wanted to explore about  
13 co-generation. Is it your contention that the nature of that  
14 particular energy is something that still PURPA needs to rely on?  
15 Can you explain a little bit more about what you were -- how you  
16 were distinguishing cogen from other kinds of renewable energy  
17 generation?

18 Mr. Thomas. Sure, and thank you for the opportunity to, you  
19 know, further emphasize. The idea of co-generation is that it  
20 is -- that generation is co-located with load.

21 So we use what is steam or heat that would otherwise go to  
22 waste to create electricity that we use on site. So that part  
23 of it is all about the economics of producing our products cheaper.

24 It has side benefits for the grid. If we were just a load  
25 on the grid, the utilities would supply us from a distance. I

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 think 7 percent line losses is not uncommon. So by providing a  
2 lot of our energy ourselves we reduce that need.

3 Mr. Peters. Right. So you are doing co-generation because  
4 it supports your facility's operations. It lowers your costs.  
5 You are not trying to produce energy offsite -- you are using it  
6 on site?

7 Mr. Thomas. Right. We sell --

8 Mr. Peters. So you are really not incentivized by PURPA to  
9 do co-generation?

10 Mr. Thomas. Not at all.

11 Mr. Peters. Okay.

12 Mr. Thomas. We are -- we are consumers. We don't want high  
13 prices. We want --

14 Mr. Peters. I got it.

15 Mr. Thomas. -- because we don't sell power back to the grid  
16 except for just rare short periods. None of our facilities are  
17 net generators month to month. They might, from one hour to  
18 another, generate a little bit. But for the most part --

19 Mr. Peters. I see. I just wanted to clear that up because  
20 I might have -- Does anyone have a reason why there's not a  
21 statute of limitations on these challenges? Does anyone  
22 understand or think that that is a good policy? Some heartburn  
23 about changing that? No?

24 Mr. Glass, I would just like you to maybe respond to this  
25 -- the theme of -- with lower renewables costs maybe the role for

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)



1 PURPA has changed.

2 Can you -- can you tell us kind of how you think the -- what  
3 changes would you acknowledge have been made -- what kind of easing  
4 could happen and what's the role of PURPA, going forward, and  
5 encouraging renewables?

6 Mr. Glass. Well, you know, and one of the fine testimonies  
7 that was submitted talked about disco balls and shag carpeting,  
8 and I commend you for that. I grew up in Spokane, Washington,  
9 in the '70s. It was a great time.

10 But competition is not out of style and it didn't go away  
11 with the '70s. I think that if you look at the renewable energy  
12 industry, you know, we are up but really natural gas has taken  
13 the position of coal and a little bit of nuclear and taken over  
14 for petroleum-based generation for that.

15 But overall, the amount of diversity -- we have not yet  
16 achieved the diversity that we need. The more important point  
17 is that this idea that somehow or another avoided costs are too  
18 high, that is just wrong.

19 And I would like to -- I would like to think that the committee  
20 needs to look into that. The subcommittee needs to look into that  
21 because the utilities and the utility commissions control avoided  
22 cost.

23 There is a number of methodologies by which they do that.  
24 We've been in a declining cost system and in some cases some  
25 utilities and state commissions haven't got to avoided costs that

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 reflect the true market price.

2 That is not a reason to do away with legislation itself. It  
3 is a reason to fix the avoided costs if that is what needs to  
4 happen.

5 Mr. Peters. Okay. Would someone like to respond -- maybe  
6 Ms. Raper or Mr. Kouba -- on that issue, the avoided cost issue?

7 Ms. Raper. I would be happy to. Thank you.

8 Congressman, regarding the avoided cost issue, could we  
9 change our avoided cost in Idaho to be more reflective of a market  
10 price? Yes, we could.

11 Would we damage things like the co-generation that is really  
12 not manipulating the system, not attempting to take advantage at  
13 the -- at the harm of rate payers? They're just using a by-product  
14 of what their normal market is.

15 We would rather be able to have an avoided cost that truly  
16 supports what PURPA intended it to be -- to be able to bring on  
17 those small power producers -- renewable power producers and --  
18 and if we reduced it to a market price then we would see probably  
19 complete elimination of any of those PURPA projects. Maybe that  
20 is the answer.

21 Mr. Peters. Mr. Kouba.

22 Mr. Kouba. I will make one quick comment. We did recently  
23 change our avoided costs and one of those foreign developers  
24 working on a new project then complained that it was too low and  
25 is in with the Iowa Utility Board wanting us to basically double

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 the avoided costs.

2 So I think there is some things that all of us can do to make  
3 the avoided costs more realistic. But we still have to agree that  
4 no matter how you offset we have a very volatile market out there  
5 that changes often. So we are going to have to make sure that  
6 we are constantly updating the avoided costs.

7 Mr. Peters. Thanks for the testimony. My time has expired.

8 Mr. Walberg. [Presiding.] I thank the gentleman.

9 Now I recognize the gentleman from West Virginia, Mr.  
10 McKinley.

11 Mr. McKinley. Thank you, Mr. Chairman.

12 Mr. Glass, I think we are all familiar with the fact that  
13 the utilities -- the electric consumption in this country has been  
14 growing about the last eight years.

15 So there has been this ongoing conflict in the producers of  
16 electricity to maintain their market share and I support the idea  
17 of the renewables in a big way. I am delighted that they are --  
18 but as a result of that, someone's losing.

19 There is coal producers, coal generating, gas generated, at  
20 the expense that seemingly the federal government is trying to  
21 support through PURPA and others and tax credits -- the use of  
22 more solar, wind.

23 What level -- we are currently around 15 percent of  
24 renewables, I believe, creating power in America. If we continue  
25 this, what is the magic number?

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1           And we are subsidizing it at a pretty good clip. I think  
2           it is \$28 per megawatt hour. I had some notes -- wind has \$28  
3           per megawatt hour. I don't know what solar is with that. What's  
4           the right level?

5           Should we continue to be providing subsidies and where did  
6           we reach a point that we stopped the subsidies? Is it do we want  
7           to get to 50 percent renewables in this country?

8           Were we trying to get to 100 percent? When do we stop the  
9           subsidies?

10          Mr. Glass. Thank you for the question.

11          The first thing I would say is that I think the DOE staff  
12          report that came out made very clear that it is not renewables  
13          causing the issues that you are talking about.

14          Rather, it is the low cost of gas, which is a great domestic  
15          source of energy in this country and all of that. So --

16          Mr. McKinley. No, no, no. I want to -- stop you on that,  
17          please. Five of the last eight years there has been a rather --  
18          I am not arguing over the price of gas. Renewables are continuing  
19          to expand, and I applaud that. But it is at a cost.

20          Somebody is losing out market share as a result of that, and  
21          it could be gas. It could be coal. It could be nuclear.  
22          Something is -- somebody is being affected. Where do we go?

23          If it is 15 percent -- is the objective -- do you think we  
24          are -- should we still be subsidizing companies when they  
25          represent 50 percent of the market share?

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 Mr. Glass. Well, I --

2 Mr. McKinley. Could you answer that, please? It is a yes  
3 or no.

4 Mr. Glass. Sure. Sure.

5 I don't have a particular goal. I don't have a federal RPS  
6 goal -- renewable portfolio standard goal -- and I don't think  
7 that -- I am at least not prepared to speak on behalf of SEIA as  
8 to what that might be.

9 The one thing I would say is that solar right now is less  
10 than 1 percent or just about 1 percent of the total, and I think  
11 it could grow more, because the reason is I am not so much worried  
12 about who is winning and losing market share. I am more  
13 interested in reducing the cost of power for consumers and if --

14 Mr. McKinley. Well, I am interested in keeping jobs for the  
15 people in -- that are in the producer --

16 Mr. Glass. I would love to talk about it. The solar  
17 industry --

18 Mr. McKinley. So if I could, Mr. Thomas -- if I could reclaim  
19 my time to Mr. Thomas under Domtar, you made a remark in your  
20 statement.

21 The renewable energy QFs should not, in your opinion, be  
22 allowed to include production tax credits or the value of  
23 renewable energy credits in their calculation when they bid into  
24 the system. Could you explain that a little bit?

25 Mr. Thomas. Sure, and thank you for the opportunity.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1           Basically, what we are saying is, you know, we know  
2 renewables are subsidized. We don't object to that. It has done  
3 a good job of creating a renewable market.

4           But when we start bidding into cost-base market systems,  
5 those subsidies should not be allowed to be bid in, and that just  
6 keeps it on an even keel -- on a competitive process because at  
7 face value it looks like bidding in, including your subsidies,  
8 lowers the price and it does in the immediate -- in the immediate.

9           But in the future, it causes generation assets that are built  
10 by utilities to have to be shut down because they can't compete.  
11 They're not subsidized.

12           Once they are shut down for any length of time, then they  
13 end up getting mothballed. Their customers are stuck with  
14 capital payment on a resource that is not being used.

15           Mr. McKinley. I have got a -- this may be a fundamental  
16 question. My time is almost up. If a utility is required to  
17 purchase from a QF facility and yet they have not been successful  
18 in bidding into the PJM for that market for that day, are they  
19 still required to purchase?

20           Mr. Thomas. I don't know that I understand the question  
21 entirely.

22           Mr. McKinley. If a utility company is not -- not providing  
23 power into the grid but yet they are -- are they still required  
24 -- when they bid in and they are not successful so they are not  
25 -- they are not providing power to the grid that day or that week

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 but yet are they still required to purchase power from a QF?

2 Mr. Thomas. And PJM is a competitive market. I don't know  
3 the answer --

4 Mr. McKinley. Okay.

5 Mr. Thomas. -- how a utility would react to that. I know  
6 in our situation at PJM where we -- where we might sell generation,  
7 if we don't make the bid we don't generate into the grid.

8 Mr. McKinley. Yeah. I just wondered whether you are  
9 required, though, to still purchase power under QF. Thank you.  
10 I yield back my time.

11 Mr. Walberg. Gentleman's time has expired. I now  
12 recognize the gentleman from the state in all of our thoughts and  
13 prayers, Mr. Green.

14 Mr. Green. Thank you, Mr. Chairman, and I would like to  
15 thank you and our Ranking Member Rush for having the hearing today.

16 PURPA is an interesting program borne of unique  
17 circumstances in the '70s and I look forward to hearing a variety  
18 of perspectives on its modernization from witnesses.

19 Mr. Prager, in your testimony you talk about PURPA's  
20 must-take provisions and how they affect state resource planning.  
21 Can you elaborate on how the right of a qualifying facility under  
22 PURPA can interact with local state procurement processes for  
23 independent power producers?

24 Of course, you have to realize I come from Texas and we have  
25 ERCOT. So it is different from the rest of the country.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1           Mr. Prager. We actually operate in the Texas Panhandle,  
2 just outside of ERCOT. So our Texas facilities are actually a  
3 little bit different than the ERCOT facilities.

4           But the fundamental issue with PURPA and state resource  
5 planning is PURPA is a must-take requirement. It is a must  
6 contract requirement that happens independent of the state  
7 resource planning processes.

8           So you can see in that that what happens is you end up with  
9 a independent power producer that comes in as a qualifying  
10 facility and it puts the power to the utility outside of the  
11 resource planning process.

12           Because for the renewable energy component of PURPA, those  
13 facilities are intermittent. It is very difficult for a state  
14 which is responsible for maintaining a reliable and a  
15 cost-effective power supply to ensure that those facilities are  
16 integrated appropriately into the system.

17           That is why we think it is so important that we begin to find  
18 a way to integrate the renewable energy requirements that are  
19 coming out of states, which are really significant right now and  
20 are driving a lot of the energy growth -- the renewable energy  
21 growth we see on our system with the PURPA must-purchase  
22 requirements.

23           Mr. Green. Okay. And your area you serve in Texas I know  
24 in west Texas windmills -- do you have any of that issues -- that  
25 alternative rather than solar?

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com



1 Mr. Prager. We -- we do have some solar and we are adding  
2 more in Texas. Solar is a tremendous growing resource and Mr.  
3 Glass quoted my disco ball quote from my testimony.

4 I will say that we are excited about the potential for solar,  
5 especially in west Texas and in New Mexico. But, again, it is  
6 important to do it the right way, because if you do it the right  
7 way you can bring a lot of renewable energy to your customers and  
8 do it in a way that is extraordinarily cost effective and reliable.  
9 The best way to do that is through the state planning processes.

10 Mr. Green. Well, obviously, from Texas I would love to see  
11 us do with solar what we have done with wind power, and for my  
12 California friends I am always bragging about how we produce more  
13 wind power in Texas than California. So and we like to do solar  
14 --

15 Mr. Peters. There is a lot of hot air.

16 [Laughter.]

17 Mr. Green. Well, I offered to send you a whole lot of water  
18 last week.

19 [Laughter.]

20 Mr. Green. Mr. Glass, in your testimony you talk about how  
21 SEIA's members are driving down the price of solar to compete  
22 favorably with all the other forms of power generation.

23 Can you elaborate on how current technological innovations  
24 and efficiencies of scale have changed PURPA contracts from  
25 high-cost contracts of the past to today?

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 Mr. Glass. Well, thank you for the question.

2 I've been developing and financing solar projects for about  
3 12 years now and the price of the installed capacity has come down  
4 to about one-sixth of where it actually began when I started  
5 practising.

6 And this has been done through technological innovation,  
7 massive investment in capacity manufacturing as well as a lot of  
8 innovation -- technological and business model innovation that  
9 has driven down these costs to the point where, you know, we have  
10 PPAs that are now less than \$20 per megawatt hour that are being  
11 executed in various places.

12 We are able and look forward to installing and selling to  
13 utilities at their -- those prices.

14 But the avoided costs we don't control that at all. We are  
15 a price taker under the avoided cost methodology that the utility  
16 and the utility commission set.

17 So I would like to encourage to the extent that there are  
18 problems with avoided costs that they review those costs and if  
19 solar is the best and cheapest alternative, let us make it -- set  
20 on that and let us get more solar installed because we have 260,000  
21 jobs that have been built over the last 12 years and we'd love  
22 to add more.

23 Mr. Green. Well, the original intent of PURPA was to push  
24 for alternative sources of power during an energy crisis in the  
25 1970s.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 Alternatives today are a booming market, and from your  
2 testimony I get the sense that you see the primary purpose of PURPA  
3 is increasing competition and putting downward pressure on  
4 utility companies to reducing prices for consumers. Is that an  
5 accurate characterization?

6 Mr. Glass. Yes.

7 Mr. Green. Okay. Mr. Chairman, I thank you for holding the  
8 hearing and -- because, again, in the 1970s we also had an embargo  
9 on exporting crude oil and we changed that. So maybe we need to  
10 look at PURPA and bring it up to date. Thank you.

11 Mr. Walberg. I thank the gentleman.

12 I recognize now the gentleman from Ohio, Mr. Johnson.

13 Mr. Johnson. Thank you, Mr. Chairman. I appreciate it.

14 And I want to thank all of our panellists for being here  
15 today. I appreciate it. Important topic.

16 Commissioner Raper, in your testimony you state utilities  
17 prepare detailed integrated resource plans and make investments  
18 based on perceived need.

19 When discussing PURPA, I think it is important to get a better  
20 understanding of this process, especially, as you state, when a  
21 QF steps in it changes many of the factors that led to the utility's  
22 original conclusions.

23 New QF resources are not contemplated by integrated resource  
24 plans because they are not known or measurable by the utility.

25 So can you describe that process? In other words, how does

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 a utility prepare their integrated resource plans and make  
2 investments based on their needs? What is that process?

3 Ms. Raper. Thank you, Congressman, and it actually goes a  
4 little bit to Congressman Green's question about the renewable  
5 portfolio standards and perceived need.

6 A utility, every two years, does a 20-year plan of what their  
7 resource needs might be based on growth and customers and  
8 anticipating, based on history, what it is going to look like into  
9 the future.

10 But when a QF comes on, it just puts in a contract, you know,  
11 it is a must-purchase. They say, here you go, we want to build.  
12 So when rates are favorable to a QF they just come in.

13 There's no way for the utility during that integrated  
14 resource planning process to say okay, we are going to have six  
15 new QFs that we are going to bring on. They're not allowed to  
16 limit that.

17 They're not allowed to say we are going to have five new wind  
18 resources and six new solar resources and that is all we are going  
19 to take and so we can plan for that, and we have enough caseload  
20 in order to cover the intermittency of those resources.

21 They don't have the ability to plan for that. So what they  
22 are forced to do -- what our utilities have been forced to do,  
23 and we have watched it with the integrated resource planning  
24 process, is it's a -- it's, you know, one step forward, two steps  
25 back.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1           They make their plan. But then they have to adjust. It's  
2 a good thing they file a 20-year plan every two years because they  
3 are having to adjust each time they come to anticipate different  
4 base load resources to guess at where rates are at right now and  
5 what QFs may come online.

6           Mr. Green. I was going to ask you, and maybe you answered  
7 this, how long it takes to develop those plans. So if they do  
8 it every two years for a 20-year out cycle, does it take the full  
9 two years? I mean, are they working on that for two years?

10          Ms. Raper. Well, Mr. Kouba may be able to answer that more  
11 directly as a utility. But it is my understanding that they are  
12 constantly planning. They are constantly modifying and  
13 anticipating and doing studies on what they may need.

14          Mr. Green. Okay. Continuing on then, can you explain the  
15 changes that might need to be made to a utility's resource plan  
16 when integrating a small power production facility?

17          Ms. Raper. Well, if it's a true small power production  
18 facility, if it's a five-megawatt, a 10-megawatt, you know,  
19 geothermal plant, then there are small -- incremental  
20 modifications that have to be made in order to balance out those  
21 resources.

22          But when you get 100 megawatts that is disaggregated into  
23 five 20-megawatt projects, then for our utilities, I mean, it's  
24 different in the east than it is in the west.

25          Idaho Power, on their -- during a shoulder month when the

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 wind is blowing, their peak load can be as low as 1,100 megawatts.  
2 Well, they have more QF resources online than their peak load on  
3 those days.

4 So the ability for them to try to balance that is enormous.

5 Mr. Green. Okay. So how do these changes compare when a  
6 utility is required to accommodate generation for multiple QFs?

7 Ms. Raper. How do the utilities compare?

8 Mr. Green. Yes. Does the process change when a utility is  
9 required to accommodate generation for multiple QFs? Does it  
10 make it more complicated?

11 Ms. Raper. Absolutely. Yes, because you are bringing on  
12 a hundred megawatts of resources that are, one, intermittent, that  
13 are, two, must take and they are not necessarily being provided  
14 at an hour -- at a time of year and time of day when the utility  
15 needs those resources, and the base load resources of the  
16 utilities can only be backed off so far.

17 Hydro can't be shut off. Coal plants can't be shut off.  
18 There's a minimum, you know, must run on those base load  
19 facilities.

20 Mr. Green. Okay. All right. Well, thank you very much.  
21 Mr. Chairman, I yield back.

22 Mr. Walberg. I thank the gentleman.

23 Now I recognize my friend from Illinois, the ranking member,  
24 Mr. Rush.

25 Mr. Rush. I want to thank you, Mr. Chairman.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 I had a question for Mr. Glass and Mr. Baas. The question  
2 might have been asked and answered but I really want to know, one  
3 of the most contentious issues that critics have cited PURPA's  
4 mandatory purchase obligation. Critics argue that the purchase  
5 obligation under Section 210 requires them to purchase power that  
6 they may not need from small QFs and above market rates.

7 They claim that this misplaces lower cost resources and  
8 unnecessarily increases rates to consumers. And I'd like to get  
9 your response, Mr. Glass and Mr. Baas.

10 Mr. Glass. Glass before Baas?

11 Mr. Rush. Any way you want to do it.

12 Mr. Glass. Thank you for the question.

13 I have already spoken to the fact that I -- if avoided costs  
14 are being created and approved by a regulatory agency, there  
15 should not be a situation in which the utility is buying at greater  
16 than its incremental cost of buying energy.

17 If its -- if PURPA and its implementing regulations are being  
18 administered correctly, that is not a situation you'll find it  
19 in.

20 I actually think that -- and thank you for the question  
21 because I think there are a lot of other issues that we haven't  
22 really talked about yet that are being created in the PURPA  
23 environment.

24 I think that there are some states that are taking particular  
25 steps to eliminate QF projects altogether. They are eliminating

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 -- they are, for instance, reducing the term to something that  
2 is not financeable.

3 They are introducing other requirements such as RFPs and  
4 other things that need to be satisfied before they can be -- before  
5 a QF can locate.

6 But the ultimate thing that has to understand if you are going  
7 to have an independent -- a competitive independent generation  
8 capacity in this country you need to have the ability to have a  
9 long-term stream of revenues to be able to finance these  
10 facilities.

11 Utilities have the ability to put costs onto their customers  
12 over a 20-, 30-year period. A utility, when it's planning to  
13 build generation, does not do it on a two-year basis, it does it  
14 on a longer term.

15 Well, independent power is looking for the same type of  
16 thing. If we are going to put money to work we need to have that  
17 long-term stream of revenues and certainty.

18 Mr. Rush. Mr. Baas, you want to charge at this?

19 Mr. Baas. Yes. Thank you for the opportunity to comment.

20 In Michigan, the utilities receive full cost recovery and  
21 so when the Public Service Commission does rate reviews they are  
22 ensuring that the utilities are being paid their full cost of  
23 operation.

24 Our facility is a base load facility. It's been providing  
25 electricity for 27 years. We certainly are in the planning of

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)



1 the utility and have been there for a long time.

2 When we look at what the Public Service Commission is doing  
3 in terms of determining avoided cost versus what the utilities  
4 are being paid, there is a significant difference.

5 And so we believe we are very competitive and we are seeing  
6 utilities actually attempt to build new generation capacity at  
7 our expense.

8 When they want to move us to a one-year notification on a  
9 contract it's difficult for us to invest millions of dollars in  
10 refurbishment. It's difficult for us to take our 10-year  
11 planning horizon to determine what are we going to pay for in the  
12 future when it's set up like that.

13 Mr. Rush. I want to ask and want to quickly go down the line  
14 and ask -- simply ask one question. We can start with you, Mr.  
15 Baas.

16 Give me a yes or no if Congress should make tweaks to PURPA  
17 or leave it as it is. Yes or no.

18 Mr. Baas. Yes.

19 Mr. Kouba. Yes, we should modify PURPA.

20 Mr. Thomas. No, we prefer it in the current form.

21 Ms. Raper. Yes, update, Congressman.

22 Mr. Glass. No, leave it as it is.

23 Mr. Prager. Yes, we believe it should be modified.

24 Mr. Rush. Thank you. Mr. Chairman, I yield back.

25 Mr. Walberg. I thank the gentleman, and I recognize the

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 gentleman from Missouri, Mr. Long.

2 Mr. Long. I might have to watch that on replay. That  
3 reminded me of "What's My Line?" when they are yes, no, leave it  
4 as it is.

5 I think I stepped out of the room for just a minute and I  
6 believe Mr. Johnson stole my notes so this might sound like  
7 familiar territory to what he was asking but I am going to ask  
8 these questions of Mr. Prager.

9 Under PURPA's mandatory purchase obligation, a host utility  
10 is required to purchase a qualified facility's output even if the  
11 utility has no need for additional power.

12 How does the utility respond to these types of situations?

13 Mr. Prager. Well, I provided the congressman an example of  
14 what we are going through in Colorado right now with the particular  
15 QF developer that is trying to put to us 1,520 megawatts of power.

16 It presents a very big problem to us. It really does. It  
17 means that we can't be certain about what our generation capacity  
18 is going to be. It raises costs for customers. We had some  
19 discussion earlier about avoided costs.

20 Reality with avoided costs is that the avoided costs  
21 calculations that are done under PURPA are supposed to make the  
22 customer indifferent to whether or not the project is financed  
23 or not.

24 That is not the case when a PURPA cost comes in above what  
25 would have to be bid into a competitive process. That's one of

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 the concerns we have about it.

2 It also, when you have a PURPA facility coming on to the  
3 system, it locks the ability of other generators -- other  
4 independent power producers to be able to access the marketplace.

5 I mentioned we have a lot of wind on our system. Sixty-five  
6 percent of that is not owned by our company. It's owned by  
7 independent power producers. If a QF comes in and it occupies  
8 that field, it will be impossible for those IPPs to come in and  
9 take their position.

10 And finally, it also presents for our state and our system  
11 some significant challenges in terms of the reliability and  
12 protecting the reliability and cost effectiveness of the system.

13 Intermittent renewables are a technical challenge from an  
14 electric system standpoint. You can make it work. We have made  
15 it work. We are very optimistic about the future. But you've  
16 got to do it in the right way.

17 The problem with PURPA is these projects show up at a time  
18 and location of their choosing and it's very difficult for us to  
19 plan around those projects.

20 Mr. Long. And what impact does this have on cost to the  
21 consumer?

22 Mr. Prager. We believe that PURPA has the potential to raise  
23 consumer costs because we have got to accommodate these higher  
24 cost resources and we have to do it in a way that will result in  
25 additional investment in our system to accommodate the location

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 in which they would be built.

2 Mr. Long. And you talked specifically about how it affects  
3 your output -- the utility's output?

4 Mr. Prager. Utility output.

5 Mr. Long. The utility output, how it affects the QFs?

6 Mr. Prager. We believe it's very important that the utility  
7 have the ability to plan around the system as it's currently  
8 designed and so we think it's extremely important that the state  
9 have the leadership role in terms of setting the strategy that  
10 the utility must follow in order to achieve not only a reliable  
11 and low cost electric system, which are both critical, but also  
12 achieve those public policy goals whether it's emission reduction  
13 or renewable energy.

14 We found that our states do an extraordinarily good job of  
15 that. They do an extraordinarily good job of it and in fact the  
16 renewable --

17 Mr. Long. So you think they can anticipate and plan for  
18 integration?

19 Mr. Prager. It's hard for them to do it when these projects  
20 just show up whenever they want to. It's very difficult.

21 Mr. Long. Okay. And so should the state commissions be  
22 able to suspend the mandatory purchase requirement if it  
23 determines the utility does not need the additional power --

24 Mr. Prager. We believe they should.

25 Mr. Long. -- in your opinion?

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 Mr. Prager. We believe they should. Yes, sir.

2 Mr. Long. Okay. Thank you.

3 And with that, Mr. Chairman, I yield back.

4 Mr. Walberg. I thank the gentleman. And I recognize the  
5 gentleman from Iowa, Mr. Loeb sack.

6 Mr. Loeb sack. Thank you, Mr. Chair. It's always great to  
7 have these hearings so we can hear from a lot of different  
8 perspectives.

9 For me, being from Iowa and particularly proud, obviously,  
10 of what we do with wind, Mr. Kouba, you and the other principal  
11 utility in the state of Iowa, very, very important when it comes  
12 to that.

13 I do have one quick question. Is there any way we can get  
14 to 40 percent of electricity by the end of the year or is that  
15 a pipe dream?

16 Mr. Kouba. I wouldn't say it's a pipe dream and we are  
17 working hard to get there.

18 Mr. Loeb sack. Yes. It's going to be hard, because to get  
19 there we're 36 percent now. I do want to say, though, first, I  
20 want to mention solar because there is more and more solar in Iowa  
21 all the time as well.

22 A lot of people don't think of Iowa as, you know, having a  
23 lot of solar. But it really does, and I really want to thank  
24 Alliant for doing what it is doing. You know, we have a lot of  
25 RACs that are working on this.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 SIPCO is providing solar to five and maybe even more now.  
2 I know they are planning to do even more. And we have got a lot  
3 of -- lot of folks, you know, ranging from schools to farms to  
4 hog farmers who are installing solar panels.

5 The ITC, I think, has been very, very good for that. I know  
6 there are many concerned about these particular programs and  
7 subsidies. But the ITC, I think, has served its purpose and the  
8 PTC for wind -- there is no question about that.

9 So I am very proud of what I was doing at this point. We  
10 have a great story to tell when it comes to wind, and we may be  
11 behind Texas when it comes to wind power but we are still ahead  
12 of California, nonetheless, and it's great.

13 But, you know, I am pleased to hear, obviously, the \$1 billion  
14 commitment to build more wind in Iowa too on the part of Alliant  
15 Energy.

16 It's great news, and as for PURPA modernization, I want to  
17 ensure, I guess, that wind energy is deployed in the most cost  
18 effective manner for my constituents, for all of Iowa, for the  
19 entire country, while ensuring that the federal government  
20 continues to promote renewable growth energy in my state.

21 And I think there is a story to tell there. You can elaborate  
22 a little bit more. I mean, I guess the question that I would have  
23 at the outset is has PURPA actually served to drive extensive  
24 renewable energy development in the past and where are we to go  
25 from there?

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1           You have some policy recommendations. You mentioned the  
2 one-mile -- the one-mile rule. But, I mean, did it work in the  
3 past but now we are just having some difficulty with it at the  
4 moment and reforms are necessary? Is that fair to say, Mr. Kouba?

5           Mr. Kouba. I would agree it has worked in the past. In some  
6 respects, it's still working. I think for us specifically what  
7 we see in Iowa is foreign companies abusing the intent and spirit  
8 of PURPA when they disaggregate these projects, move them down  
9 to the distribution system which causes all sorts of reliability  
10 problems in and of itself.

11           So it's those companies we think that are abusing that. Just  
12 instead of competing in Iowa in the renewable market,  
13 disaggregating the systems, moving down to the distribution  
14 system, claiming they are PURPA facilities, spread them one mile  
15 apart so we can't even challenge that.

16           The IUB can't challenge that. So that is our main concern  
17 with what's going on right now with respect to abuses of PURPA.

18           Mr. Loeb sack. Do you have other policy recommendations  
19 beyond the one-mile rule issue?

20           Mr. Kouba. We do have policy recommendations. The  
21 one-mile rule is one of them. The other one is to be able to  
22 challenge this disaggregation of larger projects.

23           Also, for the states to be able to say that utilities do not  
24 need to buy that capacity and energy when it is not needed and,  
25 really, a number of the panellists have talked about how you get

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 that integrated resource planning process in itself and just make  
2 that more of a competitive process instead of just those QFs that  
3 are disaggregate on those projects and putting it on the  
4 utilities.

5 Mr. Loeb sack. Right.

6 Mr. Kouba. We're looking for competitive resources for our  
7 customers.

8 Mr. Loeb sack. Right. And then, ultimately, obviously, it  
9 is to make sure that we have competition so that the cost to the  
10 consumer, you know, is driven down as well.

11 And so that is really important and I know Mr. McKinley  
12 mentioned jobs. You know, in the state of Iowa wind has created  
13 thousands of jobs. Solar is creating more jobs every day. Wind  
14 certainly has.

15 In my district alone, I often mention in these hearings that  
16 I have a number of wind energy plants in my congressional district  
17 alone, two of them in Newton, Iowa, where we once had Maytag,  
18 Whirlpool. No longer.

19 But the wind energy industry has come in and really created  
20 a lot of great new jobs, and so I want to continue to do that as  
21 best I can.

22 But thinking also our consumers of energy and making sure  
23 that what we have in place -- the regulatory framework we have  
24 in place, going forward, whatever that may be is going to serve  
25 those energy consumers as well.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)



1           So with that, I yield back. Thank you, Mr. Chair. I thank  
2 the panel.

3           Mr. Walberg. I thank -- I thank the gentleman.

4           I now recognize the gentleman from Illinois, Mr. Kinzinger.

5           Mr. Kinzinger. Well, thank you, Mr. Chair, and thank you  
6 all for being here. A lot of the questions I wanted to ask have  
7 been asked so I will just hit a couple.

8           Ms. Raper, the driving factor behind PURPA was national  
9 security through field diversity after the oil embargo. We have  
10 seen great success in energy efficiency in the development of  
11 domestic renewables since the '70s.

12           Today, however, energy security means more than just  
13 security of supply. It's reliability, particularly during and  
14 after extreme weather. It's grid resiliency. It's mitigating  
15 cyber attacks and some other concerns.

16           As a state regulator, do you see circumstances where PURPA  
17 may impact grid reliability or not allow you the most efficient  
18 plan for energy security in your state?

19           Ms. Raper. Thank you, Congressman. I do see circumstances  
20 where PURPA could impact grid reliability because as a must-take  
21 resource we are forced to approve contracts and the utility is  
22 forced to accept that energy onto their system and they need to  
23 find a way to balance that energy.

24           I don't know about national security risks so much, although  
25 I do appreciate you bringing that up because that is becoming a

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 greater and greater concern for the state regulatory commissions.

2 But it absolutely affects and impacts reliability of the grid  
3 when you have more megawatts entering onto distribution and  
4 transmission systems than what's being taken off because of flat  
5 load and reduced load by energy efficiency measures.

6 Mr. Kinzinger. Thank you. And to the rest of the panel,  
7 do you -- anyone else want to comment on the role of PURPA in light  
8 of the much broader definition of energy security?

9 Mr. Baas. Thank you, Congressman.

10 Mr. Kinzinger. We'll go over here and then over here. I  
11 am sorry. So we'll start with Mr. Glass.

12 Mr. Glass. Thank you.

13 Actually, I think it's a great question. It's something  
14 that all utility, utility commissioners, and Congress and FERC  
15 should all be paying attention to.

16 I think that we are looking at newer -- new types of risks  
17 -- not just weather risks, but national security risks of all  
18 different types.

19 I think that there has been a recognition within the utility  
20 industry in the last 10 years that with a greater diversity of  
21 resources on the system located at different places on the grids,  
22 while it might be more complicated, it certainly is a lot more  
23 robust in a variety of situations.

24 And, sure, the utilities -- and the utility commissions need  
25 to know how to use these resources but solar resources in

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 particular and, more broadly, distributed smaller resources  
2 throughout the system actually adds a great deal of security --  
3 energy security to the extent that it can be managed better. So  
4 I think greater diversity helps with security.

5 Mr. Baas. My comment was going to be not to forget existing  
6 base load renewable energy such as waste energy. The utilities  
7 in Michigan are looking to build and construct new capacity when  
8 they are really beginning to frown on existing renewable under  
9 PURPA. And so we would -- I would ask that you consider that.

10 Mr. Kinzinger. Thank you.

11 Mr. Prager. In terms of the security of the grid, especially  
12 when you think about cyber security, it's never completely clear  
13 that you actually are making the grid more secure with more  
14 distributed resources.

15 There is some real value in having greater diversity on the  
16 grid to help protect from having one massive failure. The problem  
17 is is that with a lot of different facilities on the grid they  
18 represent doors into the system where cybersecurity threats can  
19 enter in.

20 We spend a lot of time thinking about this and it is one of  
21 the growing concerns as you add more distributed resources to the  
22 system and that is true for a lot of these QFs as well.

23 Mr. Kinzinger. Thank you.

24 To the panel, you all provided the areas that PURPA could  
25 be modernized and improved. With energy technology almost

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 constantly evolving and rapid changes to the kinds of energy  
2 security threats we face, what, if anything, should this committee  
3 consider in order to make it effective for the next 40 years? And  
4 I guess those that participated maybe can answer that question.

5 Mr. Prager. You know, as the -- as the energy markets  
6 evolve, the best thing to do is let them evolve and to no longer  
7 have these kind of forced mandates over the top of the energy  
8 markets.

9 States do a great job in terms of protecting the reliability  
10 of the -- of the grid. They do a great job in terms of protecting  
11 the cost effectiveness of it. There's lots of market  
12 opportunities out there right now.

13 There's lots of least cost resource planning. The best  
14 thing that could happen would be for PURPA to get out of the way  
15 and that is really the ultimate advocacy that we are supporting.

16 Mr. Kinzinger. Thank you.

17 And Ms. Raper, do you have anything to say on that at all,  
18 in terms of what we should consider?

19 Ms. Raper. I don't -- I mean, I would -- although I don't  
20 want to disagree with Mr. Prager but I don't think PURPA is the  
21 worst thing on the planet.

22 I think it's being abused. And so I think that if we removed  
23 the abuse -- I mean, Idaho's been implementing PURPA for -- since  
24 the early '80s and there was not a problem until the last decade  
25 when the large generators coming in and gaming the system, were

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 manipulating the loopholes in the act, complying with the letter  
2 but not the intent of the act.

3 And I do agree that there is a balance of what Mr. Glass and  
4 Mr. Prager said and that is that you put too many renewables and  
5 QFs on the system and you actually create a worse environment for  
6 them.

7 We believe in distributed generation and the value of  
8 distributed generation and keeping the grid consistent and  
9 reliable as well.

10 Mr. Kinzinger. Thank you. Thanks to all of you. I yield  
11 back.

12 Mr. Walberg. Thank you. Gentleman's time has expired.

13 Now I recognize the gentleman from California, Mr. McNerney.

14 Mr. McNerney. I thank the chairman. I thank the witnesses  
15 for coming here today. Interesting testimony and informative.

16 I got a couple of things out of your testimonies, some ways  
17 to improve PURPA. One is to improve the one-mile rule and to allow  
18 states to address gaming. I think that was Ms. Raper and Mr.  
19 Thomas. Thank you.

20 Subsidies are not included in contract negotiations -- Mr.  
21 Thomas. Large gifts should be -- should sell power more  
22 competitively -- Mr. Kouba -- and the need to add QFs to integrated  
23 resource planning. Am I mistaken or am I misinterpreting what  
24 anyone said on those -- those comments? No?

25 I think PURPA can be revised to encourage low-emission or

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 zero-emission -- carbon emission without increasing cost to  
2 consumers. Does anyone disagree with that?

3 Sure. Go ahead.

4 Ms. Raper. If I can just qualify that. I think that that  
5 is possible. But I know that Idaho has taken a lot of criticism  
6 for their two-year contracts and part of what Mr. Glass is talking  
7 about about a correct avoided cost it may be a correct avoided  
8 cost right now with -- based on the factors that you use to predict  
9 what that avoided cost ought to be.

10 But the longer the term of the contract because we are in  
11 a volatile energy market and it is always volatile, the longer  
12 the contract the more disparity there will be between actual  
13 avoided cost and what the utility is paying those.

14 So 20-year contracts, in our opinion, are never going to be  
15 representative in the end of what the incremental cost to the  
16 utility is.

17 Mr. McNerney. Well, that may be true. But as a small power  
18 producer, it is almost impossible to get financing without some  
19 sort of long-term guarantee or contract.

20 Ms. Raper. May I address that, Congressman?

21 Mr. McNerney. Yes.

22 Ms. Raper. It's our opinion that as long as PURPA exists  
23 and there is a must-purchase obligation there that the utility  
24 has to take that energy, then there is something reliable to go  
25 and get financing based on you show them the federal act that says

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 that the utility has to take this energy on an ongoing basis or  
2 the modification that can be made.

3 As we read PURPA now, it says that the cost of that power  
4 is either determined at the time that the contract is entered into  
5 or upon delivery of the energy.

6 So to us, if you have a 20-year contract, you determine at  
7 the time the contract is entered into what that avoided cost would  
8 be. All we tried to do with --

9 Mr. McNerney. But, I mean, that is a risk to you and also  
10 just a kind of a risk to the power producer because costs may go  
11 up, in which case the power producer is stuck at a lower cost.

12 I mean, that is just futures gaming. Whether it's the  
13 utility or the producer, you are both taking a risk. Yes?

14 Mr. Kouba. Yes, could I comment on that?

15 Mr. McNerney. Sure.

16 Mr. Kouba. When we go to add resources at our utility and  
17 we walk into the Iowa Utility Board to get those approved for 20  
18 years, 25 years, 30 years, we come in there with a whole study  
19 for that time period with various scenarios on what happens if  
20 gas prices change, what happens if an environment rule changes,  
21 carbon taxes change.

22 So we have the whole gamut of scenarios for 20, 25, 30 years  
23 that then they can look at and say yes, this is still a good  
24 decision to add this resource over all that -- those scenarios  
25 for 20, 25, years.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1           That's not the case with these folks gaming the system. They  
2 come in with no 20-year plan showing that is going to be beneficial  
3 to customers.

4           Mr. McNerney. Right. Well, I mean, that is one of the  
5 improvements that I think could be made is eliminating the game  
6 -- giving states some ability to fight gaming. Mr. Glass.

7           Mr. Glass. Congressman, I would say if they are doing that  
8 analysis and they know what the long-term costs are, use that to  
9 set your voided costs. It's very simple.

10          There's no reason why when you are entering into a 20-year  
11 PPA as utility that you would use a different set of data than  
12 your avoided cost. We need to be able to have -- in order to  
13 develop and finance a solo project or any independent power  
14 contract you need a long-term stream of revenues.

15          You cannot depend upon the market price in any part of this  
16 country. Merchant generation in this country is dwindling.  
17 There's very little of it actually happening, especially outside  
18 organized markets where you can't effectively hedge against such  
19 things.

20          To allow only two-year contracts or to require these people  
21 to ride the market means the end of PURPA QF contracts and it means  
22 the end of independent power.

23          Mr. McNerney. Right. No, I understand and I agree with  
24 that.

25          How does storage affect PURPA's viability as a long-term

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)



1 requirement as a -- as a regulation? Yes.

2 Mr. Glass. Right now storage is not specifically  
3 contemplated in PURPA or in the implementing regulations, to my  
4 knowledge. I would say this.

5 PURPA was actually -- and the implementing regulations were  
6 very sensitive to the difference between energy and capacity and  
7 also the other ancillary services that these types of resources  
8 can build.

9 I would simply put it this way. Get more sophisticated about  
10 the avoided costs. Get sophisticated about the energy, the  
11 capacity, and if it makes sense to build in, you know, a financing  
12 way, to build and install battery we'll build it and there's  
13 greater capabilities that will come with getting compensated with  
14 that.

15 Mr. Walberg. Thank you. The gentleman's time has expired.

16 Mr. McNerney. I was about to say that.

17 Mr. Walberg. And we got -- we have got votes coming. We  
18 are trying to move it on a little bit, and so now I recognize the  
19 gentleman from the inspiring state of Texas, Mr. Barton.

20 Mr. Barton. Thank you, Mr. Chairman. I will be, I think,  
21 relatively brief.

22 I didn't hear the opening statements of the panel. But in  
23 answer to Mr. Kinzinger's questions, Mr. Prager, does your company  
24 support repeal of PURPA?

25 Mr. Prager. We provided several different options in the

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 end of my written testimony. But one of them is yes, we would  
2 support the repeal of the Section 210 requirements under PURPA  
3 for a forced purchase.

4 Mr. Barton. I am open to that, and I wasn't here in '78,  
5 believe it or not, but I got here in '84, and we thought about  
6 repealing it in the Energy Policy Act of 2005. We did add or  
7 change it, which the FERC implemented in Order 688.

8 Mr. Glass, you -- could you tell me what the average size  
9 of a -- of a solar plant is today?

10 Mr. Glass. The average size of a PURPA --

11 Mr. Barton. New construction.

12 Mr. Glass. Yes. The average size of a PURPA solar project  
13 is eight to 10 megawatts in total. There are some larger and there  
14 are, obviously, smaller as well. But for PURPA projects it's  
15 usually in that range.

16 Mr. Barton. Well, I appreciate that. But just the -- if  
17 it is not PURPA, what -- what does the economics of solar today  
18 indicate the optimum size is? I would think it would be larger  
19 than that. But maybe not.

20 Mr. Glass. Yes. I think for a utility scale solar, I would  
21 say the average is now north of 50 megawatts. I think for  
22 commercial and industrial there's different -- you know, when you  
23 are on a flat rooftop there's a different optimization for,  
24 obviously, residential. You're talking, like --

25 Mr. Barton. Right.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

1 Mr. Glass. -- five or six kW.

2 Mr. Barton. Ms. Raper, you may be the best person on this,  
3 since you are a public utilities commissioner. Texas has an open  
4 access, you know, market system in ERCOT. We deregulated our  
5 power generation.

6 Do you believe, and you may not know this, but nationally  
7 is there a problem for these so-called facilities getting access  
8 to the grid? There was a concern in the '70s that there -- since  
9 you had everything was regulated and integrated that there might  
10 be.

11 But in today's market is that still a problem?

12 Ms. Raper. Thank you, Congressman, for the question. I  
13 think that there is not a problem for large facilities -- large  
14 QFs to have access.

15 I do believe that there are still co-generation facilities  
16 and other small -- we have run-of-river hydro that come in under  
17 as a QF resource and I believe that those are entitled to those  
18 published standard rates that PURPA talks about.

19 But no, I think that you get to 10 megawatt, 20 megawatt and  
20 I think it is insincere for Mr. Glass to represent that the average  
21 size is 10 megawatts for a QF.

22 The average size is 10 megawatts for a QF because the 100  
23 megawatt disaggregated in order to become 10 of those. So yes,  
24 I think that -- I think it's proven through the Energy Policy Act  
25 of 2005 and the modifications that Congress made that there is

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 access in a competitive market for those larger QF facilities.

2 Mr. Barton. I haven't talked to the -- to the chairman or  
3 the ranking member so I recall don't know where the will of this  
4 subcommittee is on this issue.

5 But if you assume that we're not going to repeal PURPA which,  
6 again I would be open to, but you wanted to reform it, is the 80  
7 megawatts standard for a QF and then the 20-watt megawatts  
8 standard under FERC's 688, are those still valid or should those  
9 be changed? And I will let anybody take a pop at that.

10 Mr. Kouba. We are advocating to lower that 20-megawatt  
11 limit down to two megawatts.

12 Mr. Barton. Two. Okay.

13 Mr. Baas. And I would disagree. I believe that facilities  
14 like ours have a very difficult time moving electricity to the  
15 grid competitively. Twenty megawatts at a minimum and for waste  
16 energy facilities 20 to 80 would be very helpful.

17 Mr. Prager. And, Congressman, we would support reducing the  
18 80-megawatt limit down and make it consistent with the limit that  
19 is associated with competitive markets across the country,  
20 especially for states that have competitive least-cost resource  
21 planning.

22 Mr. Barton. Thank you, Mr. Chairman.

23 Mr. Walberg. I thank the gentleman.

24 I now recognize another proud Texas, Mr. Flores.

25 Mr. Flores. Okay. I want to thank the chairman for hosting

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 this informative hearing and also thank you, panel, for your  
2 excellent testimony.

3 Three quick questions, if we can. It seems to me like state  
4 policies are driving the growth and renewable generation.  
5 They've got renewable portfolio standards -- tax credits,  
6 competitive procurement requirements, net metering are just a few  
7 of those policies.

8 So two questions out of that statement. The first one is  
9 can we even determine if PURPA's mandatory purchase requirements  
10 under Section 210 are still a factor in driving renewable  
11 generation as opposed to the state renewable policy?

12 So Mr. Baas, I will start with you.

13 Mr. Baas. The state policies certainly help, but the  
14 federal PURPA requirements I think really enhance and provide that  
15 umbrella framework for the states to operate.

16 Mr. Flores. Which do you think is having a greater impact  
17 today?

18 Mr. Baas. PURPA.

19 Mr. Flores. Okay. Mr. Kouba.

20 Mr. Kouba. In Iowa, there is no doubt that PURPA facilities  
21 aren't driving renewable growth. It is the utilities driving  
22 renewable growth and other -- many other independent power  
23 producers driving renewable growth, and we can take advantage of  
24 those independent power producers through very competitive RFPs  
25 and PPAs and certainly with our own facilities.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1           We go through RFP processes that make very competitive prices  
2           for those projects. So definitely being driven by utilities  
3           right now and independent power producers.

4           Mr. Flores. Mr. Thomas.

5           Mr. Thomas. Thank you. We believe PURPA has had, you know,  
6           a great impact on us. We would not be nearly as competitive in  
7           manufacturing without their ability. I can't think of an example  
8           where PURPA was used, you know, with a hammer for us to be able  
9           to do this.

10          Most of the time, we work through with the state or with the  
11          utilities and come up with a negotiated contract. But PURPA's  
12          presence is important and it kind of enables that.

13          Mr. Flores. Okay. Ms. Raper.

14          Ms. Raper. Thank you, Congressman.

15          I think initially PURPA drove some of the renewables that  
16          came onto the market. It assisted in people wanting to invest  
17          in things like wind and solar and geothermal. But I don't think  
18          that it's the driving force anymore for getting renewables on the  
19          system.

20          Mr. Flores. Mr. Glass.

21          Mr. Glass. As my testimony -- I detailed in my testimony  
22          roughly 20 percent of all the solar installation that was  
23          installed in the U.S. last year was based upon PURPA-developed  
24          contracts.

25          So it was significant. And I would say for the other 80

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 percent, PURPA is a very important backstop in case the other end  
2 of the offtake contract goes away. Financiers depend upon PURPA  
3 as that backstop as Plan B.

4 Mr. Flores. Mr. Prager.

5 Mr. Prager. The vast majority, over 95 percent, of the  
6 renewable energy on our system, which is, again, the largest  
7 renewable wind energy provider in the country, comes as a result  
8 of state policies, low costs, and market forces. It's not because  
9 of PURPA.

10 Mr. Flores. Okay. Thank you.

11 Did I really get five minutes at the beginning?

12 Mr. Walberg. You sure did.

13 Mr. Flores. Somebody cheated me on the clock.

14 Anyway, I yield back the balance of my time.

15 Mr. Walberg. We took care of the cheat and gave you, in fact,  
16 a little bit more in the end. So --

17 Mr. Flores. So do I need -- can I keep going?

18 Mr. Walberg. No, no, no. You're --

19 [Laughter.]

20 It's always worth a try, though. I appreciate very much the  
21 hearing today and I appreciate the fact -- I recognize myself --  
22 appreciated the fact that four out of six of the panellists also  
23 indicated that they were open to tweaking, reforming, altering,  
24 amending the process and over the last few months I've been  
25 drafting the PURPA Modernization Act of 2017.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 I believe that PURPA is ripe for reform and, if done  
2 correctly, it will increase competition, lower utility bills for  
3 our constituents, and ultimately promote grid reliability. I am  
4 excited to work with this committee to bring about nearly four  
5 years of law into a change for the 21st century, if we can do that.

6 I want to thank the witnesses for being here and great to  
7 have a Michigander here as well, Mr. Baas.

8 Mr. Prager, in your testimony, you mentioned that PURPA's  
9 mandatory purchase obligation is hindering Xcel's ability to  
10 properly undertake critical resource planning.

11 Can you please elaborate on this and how it's negatively  
12 impacting your customers, and additionally, do you think that it  
13 would be beneficial if states were given mandatory purchase  
14 obligation waiver authority?

15 Mr. Prager. I do think it would be beneficial. States are  
16 doing an excellent job right now in making sure that they manage  
17 their resource plans, do it cost effectively and achieve these  
18 energy policy goals, including some very aggressive --  
19 unbelievably aggressive goals for renewable energy development.

20 My testimony does talk in some detail -- my written testimony  
21 -- about some of our experiences, especially the experience that  
22 I indicated in Colorado where we are actually adding in over --  
23 we are being asked to add in a gigawatt and a half of renewable  
24 energy that we haven't planned for, that we haven't sited, that  
25 we haven't put through the process.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com



1           That gigawatt and a half of QF facilities, if they come in,  
2 will completely disrupt our resource planning and will raise  
3 customer costs and it threatens the reliability of our system.

4           Mr. Walberg. Okay. Ms. Raper, would you care to add  
5 anything?

6           Ms. Raper. Amen. I --

7           Mr. Walberg. That's fine.

8           Ms. Raper. Thank you, Congressman. I agree. Without  
9 being able to plan for the resources for QFs when they come on,  
10 then it adversely impacts the utility's ability to plan, going  
11 forward.

12           And we have seen that in our state with the way the integrated  
13 resource plans are submitted every two years. There are swings  
14 now instead of tweaks to those integrated resource plans and that  
15 is a problem. It impacts investment.

16           Mr. Walberg. It's a challenge. Yes.

17           Mr. Prager, you noted that Xcel is the number-one utility  
18 provider for wind. You've also touched on the fact that QFs do  
19 not face the market competition other IPPs are subject to.

20           Do you believe that PURPA is counterproductive to renewable  
21 electricity competition and is keeping your customers from  
22 enjoying the technological advancements made in renewable  
23 generation such as wind?

24           Mr. Prager. We think it's very important when you bring any  
25 resource onto the system including renewable energy. You do it

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 cost effectively. You do it in a way that results in low-cost  
2 reliable power for your customers.

3 We have been able to do that outside of the PURPA process.  
4 PURPA is not consistent with the way that states are currently  
5 doing the resource planning that allows us to bring in that power  
6 on a cost-effective and reliable basis. So yes, I would agree  
7 with that statement.

8 Mr. Walberg. Okay. Mr. Kouba, in your testimony there was  
9 some mention of reliability impacts to the system due to the  
10 integration of these larger QFs on the distribution system.

11 How does a utility plan for or mitigate these issues and,  
12 secondarily, who is ultimately responsible for grid reliability  
13 issues -- the utility or the QF?

14 Mr. Kouba. As a matter of fact, we can't plan for them  
15 because these QF facilities now that are being disaggregated and  
16 located on our distribution system come in at any given time and  
17 we have absolutely no warning.

18 So there is no planning for the future in those cases. It's  
19 basically reacting and doing the best we possibly can to ensure  
20 that the rest of our customers on that distribution system aren't  
21 adversely impacted, and in many cases so far they have been  
22 adversely impacted.

23 It's just if you don't take these into the resource planning  
24 process, you end up having potentially transmission system  
25 impacts.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1           We are seeing that now in the distribution system because  
2 there's no adequate planning to add those facilities. They come  
3 in at a location. They may not actually be needed there, and they  
4 do end up causing problems for our customers -- those distribution  
5 systems.

6           Mr. Walberg. Okay. Mr. Kouba, you mentioned that there are  
7 opportunities for these QFs to integrate into the transmission  
8 system. How do they integrate and are some QF developers  
9 bypassing these established process in MISO?

10          Mr. Kouba. How they would integrate in the transmission  
11 system is very similar to how we integrate a new resource, whether  
12 it is wind or combined cycle natural gas in the transmission  
13 system.

14          There is a process in place in MISO to do that. They could  
15 walk through that process just like we do and that process helps  
16 ensure that as we or QFs or independent power producers are placing  
17 generation on the system, we are actually improving the  
18 reliability system, not having a detrimental impact on the  
19 transmission system.

20          So they could follow that process just as we do. I think  
21 what they are finding is it is a bit of a cumbersome process. It  
22 takes some time.

23          There may be transmission system additions that are needed  
24 that are more expensive so they disaggregate -- in our case, in  
25 Iowa -- and put them down in the distribution system where they

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 don't have to deal with that and don't have to deal with the cost  
2 of transmission system upgrades.

3 Mr. Walberg. Well, thank you. My time is expired.

4 And I guess -- I guess I am not the last one. And now I  
5 represent -- recognize my friend from New York that somehow got  
6 behind me. Mr. Tonko.

7 Mr. Tonko. Thank you, and if you want to represent me too  
8 you can do that.

9 Mr. Walberg. I'd be delighted to. Couldn't work well,  
10 though.

11 Mr. Tonko. All right. Thank you. Thank you.

12 Let me thank the witnesses for joining us this morning  
13 because it's such an important bit of discussion.

14 Mr. Thomas, I am a big supporter of CHP. With the recent  
15 devastation of Hurricane Harvey and other massive storms that are  
16 predicted to happen more and more if we don't address climate  
17 change, I am concerned about where -- how we come back from these  
18 storms.

19 I think back to my home state of New York and the damage caused  
20 by Superstorm Sandy. During Sandy, we saw, you know, in that  
21 whole experience the resiliency of the CHP facilities. In some  
22 places, electricity was down for days but CHP kept working.

23 So has PURPA been successful in bringing more CHP facilities  
24 online?

25 Mr. Thomas. Yes. I think the easy answer is absolutely.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 It gives -- the difference with the CHP facility and just the  
2 straight manufacturing is you make additional and large capital  
3 investment in the generation.

4 So knowing that you can recoup that over the length of the  
5 period -- you know, 20 years or so -- gives us the confidence to  
6 install that generation and make that a CHP facility versus just  
7 a straight load manufacturing facility.

8 Mr. Tonko. And can you discuss whether there might be a need  
9 to address some definitional or threshold issues with the law?  
10 For example, your testimony mentions that many CHP facilities  
11 export very little electricity to the grid.

12 Does it make sense to reclassify the size of a CHP  
13 installation based on the amount that is generally exported to  
14 the grid rather than what its overall capacity might be ranked?

15 Mr. Thomas. Yes, and thank you for your question. You  
16 know, a lot of times we talk about megawatts when we talk about  
17 the PURPA numbers -- you know, 20 or 80 -- and for us it's more  
18 about the amount of energy, not the megawatts because our  
19 facilities may look like they can net export 20 megawatts, let  
20 us say, but we seldom do that because we match the steam load with  
21 what we need from manufacturing.

22 So, you know, we think an energy number is a better way to  
23 do that. But, you know, leave it in place. Just change it from  
24 measuring absolute capacity to measuring the amount of power that  
25 is put on the grid.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 Mr. Tonko. Thank you.

2 Mr. Glass, can you explain the relationship between smaller  
3 solar projects, those residential or community projects, and  
4 those of utilities and the need for standard and expedient  
5 interconnection processes?

6 Mr. Glass. Great question. All three levels -- utility  
7 scale, commercial and industrial, as well as residential all need  
8 very clear straightforward paths to interconnection and where  
9 that interconnection creates costs on the utility -- the  
10 interconnecting utility, those costs ought to be worked out and  
11 be dealt with so that the cost cause are at pace for those types  
12 of things.

13 SEIA is completely, you know, supportive of that type of  
14 thing. However, the one thing I would say is that we need to make  
15 sure that these smaller types of facilities can efficiently plug  
16 in.

17 It would seem that the panel is most, you know, enamoured  
18 of the centrally-planned utility model that we had back in the  
19 '60s where there would be no small scruffy co-generator or small  
20 energy producer of solar or anything like that that would come  
21 interconnected and mess with their plans.

22 Unfortunately, that very competition I think has been very  
23 successful in helping to bring down costs over time and I would  
24 encourage -- whether it be interconnection I would request that  
25 the utility still be required to have that competitive

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1       disruptiveness of smaller generation facilities such as solar.

2               Mr. Tonko.   Now, does PURPA play a role in ensuring that  
3       there are nondiscriminatory interconnection processes?

4               Mr. Glass.   Absolutely.   It's the bedrock.   I mean, if  
5       there was no PURPA there wouldn't have been an EP Act 1992 and  
6       an Order 888 and all of the things leading to the New York rev  
7       process that is going on right now.   We've been increasing  
8       competition since 1978 and we ought to continue to do so.

9               Mr. Tonko.   And I would ask that, and so it is important to  
10       the future of the solar industry that we move forward with these  
11       sort of opportunities with interconnection?

12              Mr. Glass.   Absolutely.

13              Mr. Tonko.   And I understand a number of witnesses represent  
14       utilities or facilities in deregulated electric markets.

15              But you have member companies selling and installing solar  
16       projects all across the country.   Is PURPA still important to  
17       bring competition and generation diversity to areas that have  
18       retained the vertically stacked integrated utilities?

19              Mr. Glass.   Yes.   It's vital in both markets.   I would say  
20       that a number of -- well, a third of the load of the country is  
21       still in what we call vertically integrated utility -- monopoly  
22       utility systems and then a third -- the other two-thirds are in  
23       the New England -- it is ERCOT and California to a lesser extent.

24              There are different systems that apply and there is solar  
25       going in in both.   I would say that PURPA is important across all

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

[www.nealrgross.com](http://www.nealrgross.com)

1 of them for the market access, the transmission, the  
2 interconnection that you were just mentioning but also as the  
3 financial backstop so that people can get the financial certainty  
4 of the stream of revenues over time to be able to finance these  
5 projects. So it is vital.

6 Mr. Tonko. Thank you, and thank you again to all of our  
7 witnesses.

8 Mr. Chair, I yield back.

9 Mr. Walberg. Thank you, Mr. Tonko, and again, apologies for  
10 looking right past you. Sorry about that.

11 Making sure I am looking around, I see no other further  
12 members wishing to ask questions. I would like to thank all of  
13 the witnesses again for being here today.

14 We appreciate this and I certainly hope that we will continue  
15 these discussions. It's important -- it is an important topic  
16 and it is important for energy.

17 Before we conclude, I'd like to ask for unanimous consent  
18 to submit two documents -- two letters dated September 5th, the  
19 first from Cypress Creek Renewables, the second from Northwest  
20 and Intermountain Power Producers coalition -- for the record.

21 Hearing no objection, they will be submitted for the record.

22 [The information follows:]

23 \*\*\*\*\*COMMITTEE INSERT 7\*\*\*\*\*

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com



1           Mr. Walberg. Pursuant to committee rules, I remind members  
2           that they have 10 business days to submit additional questions  
3           for the record and I ask that the witnesses submit their response  
4           within 10 business days upon receipt of the questions.

5           So without objection, the subcommittee is adjourned.

6           [Whereupon, at 12:02 p.m., the meeting was adjourned.]